# CARIBBEAN INTERESTS OF THE UNITED STATES

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# PREFACE

THE domestic political problems of the United States and the development of natural resources have so occupied the attention of its people that the importance of foreign relations has not been appreciated. Even at the present time, though the Republic is no longer in a position of "splendid isolation" either politically or economically, the average American citizen does not realize the importance of his country's relations with other nations, especially with its American neighbors.

One of the most striking illustrations of this failure is the slight attention given in normal times to the political and economic bonds with the republics and colonies of the Caribbean region. The twentieth century is bringing there a steady increase of American influence, both political and economic, a development more keenly realized in the Caribbean than in the United States. The European colonies, with but few exceptions, feel that their own position in relation to other countries must be largely influenced by the effect which any measures proposed will have upon their relations with the United States. The independent republics, not without misgivings it is true, are finding that their interests are becoming identified with those of their powerful northern neighbor.

But the citizens of the United States, on the other hand, do not recognize the importance of the Caribbean for their country. They are unaware that counting its colonies and protectorates together their country has under its supervision in the Caribbean a population greater than that of the thirteen colonies at the time of the Declaration of Independence. Just as little is it realized that during the last five years the United States has been in active negotiation for the creation of pro-

tectorates over other territories with a population almost as great.

Nor is the dominance of the United States in Caribbean trade any better known. We are, with a few exceptions, the best customer of these communities. In the greater number we hold the most important position in their import trade. Steamship connections with North America are unequaled by those of any other region, and in the Caribbean ships sailing under the American flag occupy a place in foreign trade more important than on any other seas. This primacy of the United States in Caribbean trade is not one in a commerce which is of small or stationary amount. This region is one of the chief sources of American raw-material imports, and the rapidity of the growth of its commerce exceeds that of the trade with any of the great continental divisions.

The object of this book is to present in popular form a brief outline of the more important political and economic developments in these countries which have a bearing upon the foreign policy and commerce of the United States. Obviously, a volume covering so wide a field cannot be an exhaustive discussion. The most that can be done is to present the salient outlines of the developments traced.

The substance of two of the chapters on the "International Importance of the Banana Trade" and "Oil on the Caribbean" has appeared as articles in the *North American Review*. The editors have kindly consented to their republication here.

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# CARIBBEAN INTERESTS OF THE UNITED STATES

# CHAPTER I

## THE INTERNATIONAL IMPORTANCE OF THE CARIBBEAN

THE rapid growth of the international trade of the world in the last generation has emphasized the importance of the economic factor in diplomacy. In 1890, foreign exchanges are estimated to have reached a total of $17,519,000,000; in 1900, the total was $20,105,000,000 but the next decade and a half brought its most rapid increase, the total now exceeding $40,000,000,000.[1] All great commercial countries have been reaching out for wider political control of territory into which their commerce may expand and for wider control of the commerce of all lands under whatever flags. With the growth of surplus capital, too, foreign investments have been sought on an unprecedented scale, with the result that the interests of the peoples of all countries have become intimately interlaced.

The imperialistic development of our own day, sometimes preceding, sometimes following national economic interests, has brought a gradual crowding out of weaker peoples, and an integration of political and commercial

[1] In 1913 the total was $40,420,000,000. *Statistical Abstract of the United States, 1914*, Washington, 1915, p. 685.

control under a few great empires. Since the middle eighties, Africa has been partitioned in such a manner that today there remain outside the control of the great European powers but two small and tottering states, Liberia on the west coast and Abyssinia in the northeast. Asia, too, especially in the last two decades, has been subjected to pressure by governments seeking to mark out for themselves fields for future commercial expansion. The partition of China, which seemed about to occur in the late nineties to parallel that of Africa a decade before, was given a temporary check by the diplomacy of Secretary Hay, who inaugurated what was called the "Open-Door Policy" in 1901. Recent developments have brought renewed attacks upon her territorial integrity, by Japan on the northeast; by England on the southwest in Tibet, and by Russia on the north in Inner and Outer Mongolia and Turkestan.

If South America, Central America, and the Caribbean had been geographically isolated, it is at least doubtful whether conditions would not there have been developed which would have changed the map in startling ways. But political developments in the New World have brought the American states into a position in which *de facto* the interests of none are isolated. In the past this has been due not to coöperation, but to the declared national policy of the most powerful of American nations. The Monroe Doctrine, championed at various times under various forms by the United States, has served as a barrier to the propaganda by which European political control could be further extended

in the New World. This doctrine, in its announcement and through most of its history only political, we are beginning to realize has a decided economic phase. This is true not because the United States has used it to its own advantage and to the disadvantage of Europe, but because, political control of the American countries by European powers being cut off, any struggle for economic advantage in regions not already under European flags has had to be carried on under substantially equal terms for all powers. No European nation has been allowed to mark out a sphere of political influence in the New World in which tariff barriers could be erected to shut out the competition of its rivals.

By the closing years of the nineteenth century a new element was beginning to make this principle an even better established feature of American policy. A group of South American states had developed stability of government and national strength to a degree which differentiated them from the other independent states of the continent. Though there has been no formal announcement by these South American states, there is no longer any doubt that they would feel that any attempt to extend European control over additional territory in America would be opposed to their interests, and it is entirely probable that at least certain among them might aid in resisting such aggression by force of arms. Entirely aside from any joint formal diplomatic announcement by American states, it is almost beyond doubt that the principle of the Monroe Doctrine, if questioned, would now find zealous support not

only in the United States, but in the more stable governments of the southern continent.

The states of the extreme south, Argentina, Uruguay and Chile, are now little likely to be drawn into positions which will involve danger of successful European attack upon their territories. With them Brazil ought also to be classed, though there is reason to believe that at least a part of the rich and unexploited resources of that great state might before now have passed into the control of other hands but for the opposition which such action would have met on the part of the other American powers. The entry of this group of states into the ranks of those whose foreign policy will be influenced by continental, and not merely by national, considerations points to the expansion of the Monroe Doctrine from a principle which is supported by the United States to one supported by the chief powers of the New World.

European control of commerce may develop now as in the past, but the political character of loans in these countries will become less prominent. Money from abroad invested in the development of their national resources will come to have a position more nearly akin to that which foreign investments have in the United States, or any other of the world's stable nations. In those countries where stable governments have been established the occasions for interference for the protection of the investments of nationals have probably come to an end; at the same time, these powers have now to be considered in the maintenance of the political policy of America for Americans. The possibility that the

pressure of foreign economic interests may destroy their governments is remote.

The northern part of South America, the island republics of the Caribbean and the weak states of Central America are still in a less favorable position. However much they may sympathize with the policy of resisting extension of European control, not one independently could offer effective resistance. Had they been left unaided to defend themselves by their own diplomacy and military strength, it is not improbable that before our day they would have passed under European control. If they were at the present time left to their own resources it is unlikely that they would long be able to maintain their independence.

If we go no farther back than the closing years of the nineteenth century we find a number of incidents which contain the elements that might have brought about the annihilation of some of these states. The Venezuelan boundary controversy with Great Britain, which came to a climax in 1896, but for the interference of the United States, would almost certainly have resulted in serious dismemberment of that republic. Five years later Venezuela was again in complications which pointed to the possibility of a control of customs houses by a number of the European powers. Such a temporary occupation of territory might develop a situation in which the relinquishment of control would be postponed for long periods, as China has learned to her sorrow in similar situations. Again in 1905, another weak state, the Dominican Republic, faced the possibility of a similar national disintegration. The reported demand by

England and France in 1914 for the control of the Haitian customs is a recent incident which indicates rather clearly that the danger of impairment of the fundamental feature of the American foreign policy with reference to the weaker states of Latin America has by no means passed.

In sharp contrast to the conditions found in Africa and Asia, then, America has been kept free from the extension of political control by the powerful extra-continental powers. The struggles of the commercial diplomacy of European powers in the New World have not been accompanied by extension of territorial possessions. They have been confined to competition for economic advantage in countries under American flags. The only shifting of political control which has occurred in our day has resulted in the displacement of a European power from American territory already held, in the creation of new independent states, or in the shifting of control of American territory among American states.

### TRADE COMPETITION AND INTERNATIONAL INTERESTS

But this condition does not indicate that foreign chancelleries allow American affairs to play an unimportant part in their activities. Political possession of a country without control of its internal economic development and of its foreign commerce may be an illusory advantage, and preponderance in these particulars may not be inconsistent with the nominal political independence of a region. Realizing this fact, commercial

and financial interests of the great European nations have engaged in a contest for the control of American development and trade, and foreign courts have not been slow in backing up the interests of their nationals. In this contest for commercial advantage the American states have also entered.

Indeed, with the increasing appropriation of exploitation areas elsewhere by the great world powers and the tendency to create tariff barriers for the advantage of the home country, the competition for the American market has become keen and will become keener. Strong governments in the New World will reap decided advantages from this development. It will bring them into touch with world markets; it will stimulate their peoples to greater production and a higher standard of life. Foreign capital will seek their borders to the advantage of both the investor and the resident population.

But, under the same influences, the weaker governments may find the functions which they are called upon to assume more onerous and insistent than ever before, and perhaps beyond their power of performance. From Texas to Brazil and Chile extends a group of states and colonies some of which are in all but perpetual disorder. Some of these lack capital for the development of their natural resources, and good transportation facilities to bring them into touch with the world markets. Some will be valuable chiefly because of the favorable location as bases from which trade may be controlled. Others languish because of an inefficient labor supply, and still others, through lack of natural wealth, seem des-

tined never to occupy an important or prosperous position.

In all of these communities the commercial diplomacy of our time will have a growing interest, an interest greatly enhanced by the fact that through the Caribbean, the traffic center of the American tropics, will pass the trade routes developed by the Panama Canal. Both the competition for the control of the trade which lies within their borders, and the fact that before their ports passes the commerce of distant countries will give to Caribbean communities an importance in international affairs they have not had since the days when the Spanish empire in America was at its height and the people of one of the great world powers depended for its prosperity on the arrival of the gold ships from its American colonies. The fortunes of the Caribbean are no matter of merely local interest. They involve, to a degree still unappreciated, the world at large and especially the American continents, both North and South. Upon the solution of the problems which arise there may depend the character of international political and economic development in America. The importance of the new position in which the Caribbean region stands is brought home by almost every general phase of American international affairs.

Caribbean problems, even if the countries lying in the region did not themselves have possibilities of economic importance, would be of great and increasing significance, especially for the maritime nations. The Balkans and Asia Minor have an importance far beyond their intrinsic wealth because they lie on the trade

routes between the East and West. In a similar way, the Caribbean in the New World furnishes a path for the commerce of the Orient and the Occident. In addition, through it will go all of the commerce from Europe to the northern tier of South American states and part, at least, of that from Europe to the west coasts of both Americas. The cutting of the Isthmus, too, will make these waters of increased importance in the trade between the eastern and western portions of the American continents. No other region will have its position in the transit trade of the world more radically changed in our generation.

But the fact that the Caribbean will be the crossroads of the western world does not measure its importance. The Panama Canal is, of course, the commanding feature in the minds of all who think of this part of the world. The interests which are bound up in that waterway affect all others, but there are other phases of Caribbean development which deserve attention not only on account of this secondary relation to the canal, but because of their own intrinsic importance.

Little appreciated among these factors which are locally important is the volume of international trade originating in and finding its destination in Caribbean regions. Compared to the great foreign commerce of Germany or the United Kingdom, the trade of the Caribbean region is small. It contributes to none of the great commercial nations a share of its commerce which reflects the number of its peoples or the extent of its territories. In spite of the fact that its exports are almost exclusively of raw materials, or, at best, only

partly manufactured products, and in spite of the fact that its imports are the materials first sought in undeveloped countries or those necessities demanded by a population of a low standard of life, still the commercial importance of these countries is increasing both relatively and absolutely. The new developments do not affect the world market except in a few articles, but a comparison of international exchange as it now exists with conditions a decade ago, given in the following table, shows an increase decidedly encouraging and full of significance.

RECENT GROWTH OF INTERNATIONAL TRADE IN THE CHIEF COUNTRIES OF THE CARIBBEAN REGION

Compiled from *Statistical Abstract of the United States, 1904*, Department of Commerce and Labor, Washington, 1905, and *Statistical Abstract of the United States, 1914*, Department of Commerce, Washington, 1915

| Country | Year | Imports | Exports | Year | Imports | Exports | Percentage of Increase in Total Foreign Trade During Period Named |
|---|---|---|---|---|---|---|---|
| Costa Rica ..... | 1904 | $5,463,000 | $6,716,000 | 1913 | $8,685,000 | $10,322,000 | 56 |
| Guatemala .. | 1904 | 4,906,000 | 7,550,000 | 1913 | 10,062,000 | 14,450,000 | 100 |
| Honduras..... ..... | 1904 | 2,161,000 | 2,177,000 | 1913 | 5,133,000 | 3,300,000 | 94 |
| Nicaragua .. . . . | 1903 | 2,461,000 | 3,125,000 | 1913 | 5,768,000 | 7,712,000 | 141 |
| Salvador .. . . . | 1903 | 3,088,000 | 5,670,000 | 1912 | 6,167,000 | 7,666,000 | 57 |
| Panama ... .. . | | . . | . | 1912 | 9,872,000 | 2,065,000[1] | . . . |
| Colombia. . . . | 1903 | 14,453,000 | 12,658,000 | 1913 | 26,987,000 | 34,316,000 | 126 |
| Cuba ..... . | 1904 | 77,028,000 | 89,013,000 | 1914 | 133,975,000 | 170,776,000 | 88 |
| Haiti..... . . | 1901 | 5,500,000 | 12,760,000 | 1913 | 10,935,000 | 17,273,000 | 54 |
| The Dominican Republic | 1901 | 2,987,000 | 5,224,000 | 1913 | 9,272,000 | 10,470,000 | 140 |
| Venezuela .. . . ..... | 1903 | 5,425,000 | 7,653,000 | 1914 | 17,005,000 | 26,324,000 | 231 |
| Totals .... .... . | | $123,472,000 | $152,346,000 | | $243,861,000 | $304,674,000 | 98[2] |

[1] Included in Colombia in 1903.
[2] The dates are not uniform for all the countries cited

Every republic in the list is rapidly increasing its trade. In the more important units the foreign commerce has been growing on the average at the rate of over one hundred per cent. a decade. Such a development merits the attention of all interested in the expansion of the world's foreign exchanges.

### INVESTMENTS AND INTERNATIONAL INTERESTS

Partly acting as a cause of this trade development, partly one of its results, there is going on a steady and rapid influx of foreign capital. The English financing of the Argentine is familiar to students of Latin-American history. In recent years, with the establishment of order in Mexico, that country has attracted large amounts of foreign investments. The same development has come in the Caribbean. It is, of course, most marked in those countries where natural resources awaiting development are found in the control of governments which by their stability give promise of protection to life and property. The degree to which investment has occurred it is impossible to determine even for the nationals of single foreign countries. The departure of Spain from Cuba and Porto Rico was the signal for a rush of investors to those islands to develop resources which mistaken fiscal policies and local unrest had formerly kept unused. To a lesser degree, the same development is going on in other units. Foreign capital exploits the sugar, tobacco, coffee, cocoa, fruit, oil and asphalt. In fact, almost every product of the region which enters largely into world trade feels its influence. These investments are scattered among all the great commercial nations. They give an international character even to purely internal improvements. Economic interests now tend to overflow national boundaries and to make the orderly development of every state truly a matter of general concern.

Governments come to look upon revolutions which

destroy the property of their citizens as matters in which, as states, they are involved. They feel disposed to extend their good offices to protect their subjects' property abroad just as they try to forward their citizens' international trade interests; in fact, the two are only different phases of the same thing.

Unstable governments are unwelcome to a diplomacy which has as one of its controlling motives the creation of an extensive international exchange. Weakness of government may lead in the future, as it has in the past, to the raising of acute international questions. In recent years, we have had too many examples of the complications which may arise out of such conditions. Unfortunately the history of the Caribbean republics does not indicate that there is any likelihood that such incidents have come to an end.

### HEALTH PROBLEMS AND INTERNATIONAL INTERESTS

A generation ago the connection which health problems had with international affairs was comparatively unimportant. Not so today. We could be satisfied with less stringent quarantine regulations in the days of slow sailing ships and infrequent communication with the tropics. Then, if contagion did develop aboard it might even run its course before the vessel approached our ports. But the growth of commercial relations and greater speed in transportation have necessitated increased precautions against the introduction of disease from foreign countries. Disease in the American tropics is now only days, where it was formerly weeks, away

from the countries enjoying temperate climates. The remarkable improvement of sanitary conditions in Cuba, Porto Rico and the Canal Zone is an example of what must occur in all tropical communities, the products of which enter largely into foreign trade. If such improvement is not made general the offending countries will find their commerce hampered by vexatious and costly quarantines instituted by the great commercial nations. The boycott proposed against certain west coast South American ports in case modern methods of sanitation were not introduced illustrated the transition of health problems of only local concern to matters of international interest.

It is impossible, moreover, when communities lie close together or when, as in Central America, there are no natural boundaries between states, effectively to isolate the health problems of one section from those of the neighboring sections. Even when the open sea separates the communities the difficulties do not disappear. Small boats, such as pass between Haiti, Cuba and Jamaica, for example, may make quarantine as well as customs laws difficult to enforce, and the damage they may thus cause by the introduction of disease may be much greater than that arising from fraud upon the public revenue. The health problem, of necessity, must be treated as regional, and therefore international.

### PUBLIC ORDER AND INTERNATIONAL INTERESTS

Underlying the effective development of international trade, the promotion of foreign investments, and the

proper protection of the general public health, lies, of course, the fundamental problem of public order. The American tropics have been said to suffer from the three d's: disorder, disease, and distrust. The most fundamental affliction is disorder. Given governments able to protect life and property, and trade conditions are least likely to develop international disputes and foreign investments lose their political character, and local advantage will dictate the maintenance of sanitary conditions. So long as economic relations with any country are negligible, international interest in its fortunes is chiefly sentimental. If its people suffer from droughts and hurricanes their condition arouses our sympathy. If revolutions come which involve unspeakable brutalities in the contests of rival factions we are horrified, but it is normally "no affair of ours."

If, on the other hand, foreigners depend upon a certain country for an important part of their food supply; if they count on marketing there millions of dollars' worth of their manufactures; if they hold a considerable portion of a certain country's national wealth; if the health of each country is endangered by bad conditions in all others; then the maintenance of order becomes a matter of genuine international concern. This may not be the highest ethical standard, but it is the accepted economic standard which year in and year out, to an important degree, determines international action.

Order was formerly, even in Anglo-Saxon countries, a local question. It later became a national concern. It is now rapidly becoming a thing demanded by interests international in character. Even though interna-

tional law gives no rules by which order in a country may be assured, international interest in the maintenance of order is increasing and will continue to increase.

For no other nation is order in the Caribbean countries so important as for the United States, both for the reason that these political neighbors are our *next* neighbors and because no foreign nation has interests in this group in trade, in investments, in the protection of health, or of a general political nature, comparable to ours. The economic and political forces which are working in the countries immediately south of us are not without their bearing therefore upon foreign policy, especially our foreign policy. Our relations with these communities are bound to become more and more intimate. The political ownership of the territories, the fiscal policies adopted by their governments, the extent and direction of their foreign trade, the problems arising from the peculiarities of their populations, their financial status, the exploitation of their natural resources, these and other problems will concern us far more than any other great power of the world.

In spite of this fact the American people know but little of developments in the Caribbean. To most Americans the word is little more than a vague geographical expression. Few realize either the present importance of the region in world trade and its greater importance in international politics, or the significance it will come to have when in the twentieth century it again becomes what it was in the sixteenth, one of the great highways of the world's commerce. The importance of territory is to be measured by its products

and by its position. In both ways, the Caribbean deserves our attention. That the tropics are to be mastered by modern civilization is evidently the belief of all European powers. They have lavished attention upon Asia and upon the less promising Africa. If the countries of the New World are to share in making the world serve the world's needs, the development of the American tropics is naturally their task. In a peculiar way this responsibility rests upon the United States and the responsibility carries with it great opportunities.

Trade routes have always played an important part in the developments of international politics. The course of trade around the Cape of Good Hope raised Portugal for a brief period to the rank of a world power; England's commerce to the Far East is built upon the control of the Suez Canal; one of the elements back of the great European War was the desire for control of another route to the Orient, and the position of the United States, politically and commercially, among the nations of the world will largely be influenced by the way we handle the responsibilities and opportunities which center in the waters of the Caribbean.

# CHAPTER II

## GROWING INTEREST OF THE UNITED STATES IN THE CARIBBEAN

### I. POLITICAL

FEW citizens of the United States realize the growing influence of their country in international affairs. Since the close of the nineteenth century we have abandoned the position of disinterested spectator of affairs in Africa and Asia and, though we have not adopted in the eastern hemisphere the stronghanded diplomacy which has characterized the great European nations, the opinion of the United States has been asked for and given in political affairs in these continents in which we should formerly have considered ourselves unconcerned. In America, we have taken a much more active part and the preponderance of the United States in the politics of the western hemisphere has been accentuated from year to year.

That this realization of the larger rôle which we might play in international politics comes to us late as a nation has often been pointed out. The explanation is simple; it lies not in any ineptitude of our people for participation in world affairs, but in the fact that our domestic problems were so absorbing that the foreign interests we might have had were pushed into the background. Land was offered to the enterprising, free or

at a nominal cost; our great national resources lay ready to be exploited; our home industries demanded men and capital, and the local market for manufactured goods was greater than the supply. No consistent interest in foreign affairs and foreign trade in particular could be aroused among a people whose economic position demanded so little reliance upon the exchange of products with foreign countries. Such political and economic power as we had in international affairs came to us by force of circumstances, often accidentally rather than through any policy of the Government or vigilant searching for new markets by our merchants.

There were, of course, many who saw ahead to the time when our foreign trade would become highly important for us. They realized the relation which a strong political position may have to the economic life of a nation, but even when in a commanding position, these leaders can hardly be said, except in a few instances, to have had an aroused public opinion back of the policies they advocated. The influence in international affairs which we enjoyed came chiefly because of our inherent strength at home, not because of wide colonial or other political interests.

This condition passed with the end of the nineteenth century. Free land had disappeared about a decade before. Industry was rapidly overtaking the home demand; our growing population, it was seen, would soon reduce our importance as sellers of foodstuffs in the world's markets. Our exports were changing from raw materials to manufactured goods. The time had come

when foreign trade would play an increasingly important part in our national economy.

Since the middle eighties there had been in progress the world over a scramble for territory, which had resulted in the partition of Africa and threatened to bring about the division of China among the great powers of Europe. In this last rush to stake out colonial claims which might develop into sources of raw materials, markets for the manufactures of the home country and, to a lesser degree, areas in which white colonists might settle, the United States had taken no part. Just at the end of the century, it is true, she came into a conflict with Spain, the result of which made her a holder of both Caribbean and Asiatic colonies. This was, however, a development of no conscious imperialism, and one but slightly, if at all, connected with the movement for increased colonial holdings in which the European powers had been engaged.

But to whatever degree the Spanish-American War may be held to have been imperialistic or dictated only by the desire to stop cruel and useless warfare in Cuba, the influence of the new position in which it placed the United States is unmistakable. Coming at a time when our foreign trade was already rapidly increasing, the possession of Porto Rico and our new responsibilities in Cuba did not leave us unaware of the economic and political advantages which we might reap in the Caribbean.

The turn of events brought more clearly to the view of the American people our long historical interest in the Caribbean and its problems. Formerly, this in-

terest was explained by the desire for an outlet for the trade of our western states by way of the Mississippi River. Some of our more far-seeing statesmen had declared that just as a fruit when ripe drops to the ground, so Cuba would in due time gravitate toward the United States. Our trade with the British West Indies had been a source of controversy with the mother country until she changed her colonial policies. The efforts of the former colonies of Spain to secure their independence had occupied us periodically through the whole of the nineteenth century. There were, therefore, many incidents and interests, chiefly political, which had made the Caribbean region of interest to us.

Now, however, under new conditions, this region was to occupy a far more prominent position. To the communities of the Caribbean it might be expected our merchants would turn for a market for our rapidly increasing manufactures. The products of those countries were certain to seek the United States market, and though their populations were not of high consuming capacity, still they furnished a market, which on account of its proximity was attractive to us.

Political, as well as economic influences, impelled us to give greater attention to Caribbean affairs. In some cases, these involved disputes between our neighbors and their European creditors, or confiscation of the property of our citizens or foreigners; in other instances, policies of world-wide importance were touched, such as the development of transportation facilities on the Isthmian route.

Hardly a year now passes which does not see a wid-

ened influence of the United States in Caribbean trade or politics. The closing years of the nineteenth century gave us our first important West Indian possessions and a new international responsibility in Cuba. Then followed our assumption of duties under the Platt Amendment, by which we practically guarantee order in the island and have exacted a promise that it will not incur financial obligations beyond its ability to pay. In 1903, our commercial treaty with Cuba still further identified her interests with ours.

Meanwhile, our Government had definitely faced the task of building the Panama Canal, the only question being the route to be adopted. The Panama revolution occurred, and the Government was committed to the Panama route. Again, as in Cuba, the United States concluded with the new republic a treaty establishing a virtual protectorate and assuring to the United States complete control over the Canal Zone. In 1905, President Roosevelt made an unsuccessful attempt to induce the United States to assume control of the customs collections in the Dominican Republic. The treaty failing, a protocol was put into force which practically accomplished the same result. Two years later, influenced probably by the successful operation of the protocol, the Senate approved an instrument of the same general character as that of 1905. Before the Dominican affair had been settled, we were called upon to act on our right to interfere to preserve order in Cuba. American troops were introduced to protect life and property, and were withdrawn only after the creation of a government chosen at a fair election. The Taft administra-

tion which succeeded that of Mr. Roosevelt took an active part in bringing to an end a revolution in Nicaragua, and negotiated treaties looking toward the extension to Nicaragua and Honduras of agreements similar to the one in force in the Dominican Republic.

Though our national election of 1912 brought a change in the party in control of the Government, it brought no change in the policy of the United States toward the Caribbean. The American marines, stationed in Nicaragua after a revolution late in 1912, were still kept there for the preservation of order, and negotiations for treaties were renewed on a basis alleged to be even more comprehensive than that of those previously proposed. Disturbances in the Dominican Republic made a fair election there unlikely, and with the consent of the local government a force of American officials was sent from Porto Rico to "observe" the polling, thus to assure that no intimidation should prevent the expression of the popular preference. In 1915, a treaty was concluded establishing a fiscal protectorate over Haiti and early in the following year the Senate ratified conventions with both Haiti and Nicaragua.

This brief résumé of some of our actions in the countries south of us serves to indicate the gradually expanding circles of the political interests of the United States. Whether the condition is one acceptable to us or not, we are no longer merely a continental power. We already hold an Asiatic colony. A weak African state founded from this country has asked us for a protectorate and is already under our benevolent supervision. Toward the south we hold a colony, Porto Rico, and are

the protectors of Cuba, Panama, the Dominican Republic, and Haiti. We have responsibilities in Nicaragua. That the end of this development has come is highly unlikely. Political parties may differ as to national policies, internal and external, but they must bend before the natural course of economic and political development. Our last three Administrations, those of Mr. Roosevelt, Mr. Taft, and Mr. Wilson, have represented widely divergent political views, but the general policy of all toward Caribbean countries has been fundamentally the same. All have been willing to assume increasing responsibilities toward our weaker neighbors. It has been a development responding to the logic of events rather than one directed by long-planned policy or party politics.

### II. ECONOMIC

The tropical states of America do not play a part in international commerce commensurate with their extent and resources. Like all regions of like climate they have developed no important manufacturing interests. In addition, their advance has been hindered by disturbed political conditions and lack of capital. To no country is their political regeneration and economic development of such great interest as to the United States. Ours is rapidly becoming a manufacturing country which will seek a foreign market for the products of its industry. These non-manufacturing areas will be relied on increasingly as a source of our raw materials and as a market for our increasing surplus goods. South America and the Caribbean are already the chief source

of our raw material imports. Our dependence on them will increase.

The Caribbean, because it lies nearer to us than to any other great manufacturing country, deserves our special attention. Though the actual trade exchanged does not compare favorably with that with more developed regions, it is more important for us than its amount indicates, for, first, this is trade with our near neighbors. Second, it is chiefly a raw-materials trade as to imports and a manufactured-goods trade as to exports. Third and most important, its relative growth in recent years compares favorably with that from any of the great regions. Our export trade to the Caribbean countries in the years 1902-14 showed a greater percentage of increase than that to any non-American division. Our import trade showed a greater relative increase than any non-American region, except Oceania. Both our imports thence and our exports sent there are almost three times what they were twelve years ago.

INCREASE OF TRADE OF THE UNITED STATES WITH GRAND DIVISIONS, 1902–14

(Compiled from *Statistical Abstract of the United States, 1914*, Washington, 1915)

| | Exports, 1902 | Exports, 1914 | Percentage Increase or Decrease | Imports, 1902 | Imports, 1914 | Percentage Increase |
|---|---|---|---|---|---|---|
| Europe | $1,008,133,981 | $1,486,498,729 | +32 | $475,161,941 | $895,602,868 | +88. |
| North America | 203,971,080 | 528,644,962 | +159. | 151,076,524 | 427,399,354 | +182. |
| South America | 38,043,617 | 124,539,909 | +227. | 119,785,756 | 222,677,075 | +85. |
| Asia | 63,944,077 | 113,425,616 | +77. | 129,682,651 | 286,952,486 | +121. |
| Oceania | 34,258,041 | 83,568,417 | +144. | 14,166,461 | 42,144,398 | +190. |
| Africa | 33,468,605 | 27,901,515 | —16. | 13,447,615 | 19,149,476 | +42. |
| Caribbean Region | 73,851,462 | 190,634,343 | +158. | 88,671,202 | 242,716,484 | +173. |

The growth in absolute amount also is remarkable. In recent years the increase in exports to the Caribbean

region has been exceeded only by that to Europe and to North America.[1] Our combined export trade to Asia, Africa, and Oceania has increased less than that to the Caribbean. The import figures also show unusual growth. The increase in this region has been greater than that from Asia or South America and many times that from Oceania and Africa. The chief advance has been in our relations with the independent republics.

With the European colonies in the West Indies, the development of our trade relations is hampered by a number of causes. Some of these can be removed by action on the part of our Government or exporters, some cannot. Lack of transportation lines hinders exchange with some of the colonies. The subsidized steamship line between the British West Indian ports and Canada drains off some of their trade in that direction. The preferential tariff in force between the two countries since 1913 affects our trade adversely. The policy of France, also, is to shape her tariffs in the West Indies to shut out the sending of colonial goods to foreign countries and to insure the home market a monopoly of imports where possible. Banking houses, especially, when they have Government connections may be used to make the trade run on national lines. The banks in the French West Indies, it is reported, charge three per cent. in addition to the regular rate of exchange on all payments

[1] It is to be kept in mind that the comparisons of the Caribbean region with North America and South America involve overlappings; in this instance, for example, the increase in the trade of Cuba appears in the figures for both North America and the Caribbean.

made through New York. In some of the colonies branches of commercial houses in the home country are established. They buy only from their principals. Furthermore, there is a French reciprocity treaty with Haiti which operates to their advantage.

Besides these efforts on the part of other Governments or their nationals to promote their foreign commerce, our foreign trade is, of course, affected by our tariff. To protect our own producers we have kept, for example, a tariff on sugar. Louisiana, Texas, Hawaii, and Porto Rico profited thus where Barbados, for example, could not. A free sugar policy would doubtless turn some Barbadian sugar to New York instead of to British ports.

It is due to causes such as these that our exchanges with the West Indies in the trade of which we have neither natural nor artificial advantages have not shown rapid advance. The percentages of increase are high in some instances but in absolute amount we often make a poor showing in their foreign commerce. We have a growing trade which makes a good showing against the total in British Honduras, Jamaica, Trinidad, the Dutch islands in the West Indies and in the import trade of Haiti. But in other units, though our trade is in some cases increasing, it does not keep up with the rise of the foreign trade. We are either making slow progress or actually losing in some of the smaller British West Indies, the Danish West Indies, Barbados, British Guiana and in the export trade of the French West Indies and Haiti; we are only holding our own in Dutch Guiana and French Guiana.

These regions in which we are in a less favorable position are not the great exploitation areas of the Caribbean. They are, with some exceptions, either fully developed communities like Barbados, where there is little chance for trade expansion, or districts in which trade development cannot become great, or, at least, has not yet become important. In the regions where active advance is being made, whether on the continents or in the island areas, the position which the United States holds in trade is highly encouraging. The necessity for its protection and promotion, both because of its present significance and future possibilities, must have an important influence on our foreign policy.

INCREASE IN THE TRADE OF THE UNITED STATES IN THE CARIBBEAN REGION 1902–14

(Compiled from *Statistical Abstract of the United States, 1914*, Washington, 1915, pp. 327–340)

| Country | Exports from U. S., 1902 | Exports from U. S., 1914 | Percentage Increase or Decrease | Imports into U. S., 1902 | Imports into U. S., 1914 | Percentage Increase or Decrease |
|---|---|---|---|---|---|---|
| Bermuda | $1,490,868 | $1,613,813 | +8 | $487,231 | $695,419 | +42. |
| British Honduras | 773,676 | 1,699,488 | +119. | 234,231 | 2,099,275 | +796. |
| Costa Rica | 1,405,842 | 3,501,386 | +149. | 3,220,494 | 3,570,364 | +10. |
| Guatemala | 1,680,939 | 3,601,813 | +114 | 2,993,336 | 4,078,612 | +32. |
| Honduras | 983,595 | 4,873,512 | +395 | 1,080,788 | 3,130,328 | +189. |
| Nicaragua | 1,359,386 | 2,629,034 | +93. | 1,978,025 | 1,395,248 | —29. |
| Panama[1] | . . . | 22,678,234 | . . . | . . . | 4,509,719 | . . . |
| Salvador | 892,923 | 2,155,138 | +141 | 616,887 | 1,158,320 | +87. |
| British West Indies | 9,714,963 | 13,357,010 | +36 | 12,178,596 | 15,550,859 | +27. |
| Cuba | 26,623,500 | 68,884,428 | +158. | 34,694,684 | 131,303,794 | +278. |
| Danish West Indies. | 704,259 | 890,966 | +26. | 394,948 | 29,374 | —92. |
| Dutch West Indies. | 630,472 | 906,540 | +43 | 207,411 | 512,959 | +147. |
| French West Indies | 1,690,752 | 2,083,623 | +23 | 3,245 | 59,968 | +175. |
| Haiti | 2,691,413 | 5,540,706 | +105 | 1,204,461 | 691,807 | —42. |
| The Dominican Republic | 1,577,592 | 4,917,201 | +211. | 2,553,470 | 3,876,834 | +51. |
| Colombia[2] | 2,973,460 | 6,786,153 | +128 | 3,271,894 | 16,051,120 | +390 |
| British Guiana | 1,954,394 | 1,700,360 | —12. | 3,416,816 | 110,603 | —97 |
| Dutch Guiana[3] | 490,158 | 711,482 | +45 | 1,386,870 | 1,026,050 | —26 |
| French Guiana | 209,917 | 295,334 | +40. | 26,648 | (1913)86,386 | +225. |
| Venezuela | 2,793,743 | 5,401,386 | +93 | 6,287,121 | 9,763,069 | +55. |
| Porto Rico | 10,882,653 | 32,568,368 | 199 | 8,378,706 | 34,423,180 | +310. |
| Total | $71,524,505 | $186,795,924 | +161 | $84,615,922 | $234,123,288 | +176. |

[1] Included in Colombia prior to 1904.
[2] Includes Panama prior to 1904.
[3] Imports to United States in average years about $50,000.

The table on page 27 shows the recent increases and decreases in the trade of the United States with the Caribbean units.

Two sorts of foreign investments are prominent in Caribbean affairs, those which involve loans direct to the independent governments or to industries supported by them, and those which are ventures in purely private enterprises.

Undeveloped countries have had to rely for surplus capital primarily upon European sources. Formerly, American investors paid little attention to the opportunities in the Caribbean. Exploitation of domestic resources kept the money at home. During the last generation, however, American capital has begun to look abroad for new exploitation areas. The Caribbean holdings grew rapidly and now outrank those of any other country. Until very recently the investments made by American financiers have usually been of the sort last mentioned. The money has gone into private concerns, not those owned or supported by the various governments. Statistics of the amount of money invested are not available, but mention of some of the more prominent American interests will indicate their nature and importance.

The greatest rush of American capital to the Caribbean followed the Spanish-American War. It explains in great part the rapid development which has resulted in Cuba and Porto Rico. Consul-General James L. Rodgers estimated in a detailed tabulation, in 1911, that the American capital in Cuba, not counting in the private wealth of the American citizens resident in the

island, reached a total of $220,000,000. Other estimates run as high as $450,000,000 and some as low as $100,000,000. The chief lines of investment were sugar mills and lands, railroad properties, mercantile and manufacturing enterprises, public utilities, mortgages and credits, and mines.[1] Former Consul-General Frank Steinhart estimated the American investments in 1912 at $400,000,000.[2] A British Consular Report of 1912-13 in speaking of the sugar industry, the basis of Cuban prosperity, observed, "A very large proportion of the mills are in the hands of Americans and it is probable that not more than one-third of the mills remain in Cuban hands."[3] Cuban iron mines also are largely under American control. The remarkable development of Porto Rico since 1898 reflects in a similar way the entrance of American capital there.[4]

The refunding of the debts of the Dominican Republic was carried through by American capitalists. The new bonds issued approximated $20,000,000. Following the settlement American capital sought investment there. An estimate in 1909, two years after the ratification of the agreement with the United States, puts the

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[1] *Daily Consular and Trade Reports*, July 7, 1911.

[2] Interview published by *New York Sun*, May 30, 1912, quoted in letter from Pan-American Union, March 25, 1914.

[3] *Diplomatic and Consular Reports* (British) 1912-13 [Cd 6005-78]. The distribution is reported in *Commerce Reports*, Sept. 29, 1915, as follows: Of 170 estates operating, 67 were owned by Cubans, 43 by Americans, 42 by Spaniards, and 18 by nationals of other countries.

[4] Robinson, A. G. *Commerce and Industries of Alaska, Hawaii, Porto Rico, and the Philippine Islands*, Washington, 1913, p. 58.

total at that date at $3,000,000.[1] In discussing conditions in the capital in 1912-13, the British Consul reports, "There are many things wanting to bring the city up to date, such as good waterworks and sewage systems, but they will no doubt come in the near future now that the Americans have got such a footing in the place. The largest sugar plantation is owned by an American enterprise which is reported as spending $500,000 on a new establishment. The price of land is going up by leaps and bounds, and the Americans are buying up large tracts all over the country."[2] The fruit trade is already under practically exclusive American control and investments are being made in the cocoa industry. In Haiti, banking and railroad interests are in the hands of American capital.

Central America shows the same development. The railroads in Costa Rica, Salvador and Nicaragua are backed by American capital. The fruit trade, which is the life of the east coast, is American. An American company owns the majority of the stock of the National Bank in Nicaragua. Bluefields, the old Mosquito Indian region, is now the center of American financial interests grouped around Pearl Lagoon and Great River.[3] "Practically all the industries of Honduras," it is asserted, "are in the hands of United States cap-

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[1] Letter of Franklin Adams of the Pan-American Union. March 25, 1914.

[2] *Diplomatic and Consular Reports* (British), 1912-13 [Cd 6005-212].

[3] *Diplomatic and Consular Reports* (British) 1912-13 [Cd 6005-32].

italists." [1] The United States firms control all the railway-construction contracts and "at present all contracts for public works, all concessions for railways, building of customs houses, quays, etc., have been given to United States contractors." [2]

In Panama, of course, the greatest American investment is the Panama Canal. The Government also controls the railroad. In the Bocas del Toro district, American investments are dominant in the coconut, banana and cacao plantations.[3] The same thing is true further south in the banana plantations at Santa Marta, Colombia, and in the British island of Jamaica. In Colombia, the information available to our State Department shows an investment of American capital of about $3,000,000 in 1914.[4] In Venezuela, the asphalt deposits are controlled by American capital and important concessions for oil development, rubber exploitation, and transportation services are in the hands of citizens of the United States.

These investments, even when totaled, do not measure the extent of the American financial interest in the Caribbean region for they take no account of the private wealth of American residents and, of necessity, they point out only some of the more striking investments.

In political, commercial and financial interests in the

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[1] *Diplomatic and Consular Reports* (British), 1912-13 [Cd 6005-133].

[2] *Ibid.*

[3] *Diplomatic and Consular Reports* (British), 1912-13 [Cd 6005-151].

[4] Letter from Department of State, March 24, 1914.

Caribbean, there is no nation which approaches the position of the United States. The present importance of our connections, the character of the developments, national and international, to be expected in the future among the nations of the New World, and our geographical situation as the only great power near to this region, give assurance that we will continue to occupy here a position of primacy unlikely to be questioned.

# CHAPTER III

## RELATIONS OF THE UNITED STATES WITH THE BRITISH WEST INDIES

### THE LARGER ISLANDS

THE most numerous and widely scattered of all the European colonies in the Caribbean are the possessions of Great Britain. Two outposts on the mainland, one in South and one in Central America, constitute 88.7 per cent. of the superficial area of these holdings, but in historical importance and in present economic and political significance these are outdistanced by the islands which stretch in a great bow over 1,900 miles of sea from Trinidad at the mouth of the Orinoco to the Bahamas off the coast of Florida. In the days of sailing ships these islands were a valuable line of outposts from which British commerce could be protected. They were also before the days of beet sugar a great source of supply for the sugar of Europe. Their present importance is relatively less. The abolition of slavery has, in some, made the problem of the labor supply acute, and capital, with the rise of substitutes for cane sugar, has found them less profitable fields for investment. Until recently, indeed, their future seemed anything but bright.

The total area of the British Caribbean colonies is

111,425 square miles;[1] 90,277 square miles in British Guiana, 8,598 in British Honduras, 4,450 in Jamaica and 8,200 in the smaller islands. The largest island, Jamaica, is about four-tenths the size of Haiti.

Comparisons of their trade development with that of their neighbors are deceptive for many reasons, chiefly because of the varying degrees of order in the different communities. Counting in only the islands, though their area is only 12,650 square miles compared to 18,045 square miles in the Dominican Republic, their foreign trade is still five times that of the Republic. On the other hand, they make a less favorable contrast when compared to the better developed regions, especially Porto Rico. The latter, with 1,118,012 people compared to 1,733,900 in the British West Indies, has an area of only 3,436 square miles compared to their total of 12,650. Yet the total foreign trade of Porto Rico is four-fifths that of all the British West Indian islands.

In population, the British West Indies are typical of all the islands, with the exception of Cuba and Porto Rico. They are distinctly not a white man's country. Trinidad, and to a lesser degree, Jamaica, like British Guiana on the mainland, have resorted to the importation of East Indians to supplement the inefficient or insufficient supply of labor furnished by the native blacks. No important influx of other races has occurred. White men do not take residence except as they are employed in supervisory capacities on the plantations or in business. From all present indications these

[1] Not including Bermuda.

islands are predominantly negro lands and are likely to remain so.

The industrial developments which affect the Caribbean in general have touched the British possessions. Some old industries, like sugar-cane raising, are again increasing in importance, but the chief changes are in the introduction or rapid development of comparatively new industries such as fruit raising in Jamaica and cocoa production in Trinidad. Less change has been brought by the introduction of new capital. There has been no rapid rise of foreign investments such as has made possible the development of the commercial resources of Cuba and Porto Rico in the last fifteen years.

### JAMAICA

Jamaica is the largest, and was once the richest and most highly prized, of British West Indian possessions. For years the wealthiest of British subjects was a Jamaican. It was formerly not only self-supporting, but, in return for a grant of freedom from imperial interference in law making, agreed to pay annually "an irrevocable revenue" to the Crown amounting to £8,000 Jamaica currency, an arrangement which continued from 1728 to 1839.[1]

But the days of great prosperity are now history, and the social, economic and political conditions of the island are far from uniformly encouraging. The planter aristocracy has disappeared, the former wide degree of self-government has been cut down, the abolition of

[1] Aspinall, A. E. *The British West Indies,* Boston, 1912, p. 301.

slavery and the development of the beet-sugar industry have brought financial difficulties which for years seemed to assure a long-continued economic decline, a decline not even yet altogether counteracted by the development of the fruit industry.

The population of the island has shown a steady growth in spite of unfavorable economic conditions. This is especially true in the fruit-growing sections. In the last twenty years the number of inhabitants has increased 30 per cent., and at the census of 1911 stood at 831,383. The increase in population has been predominantly black. Of the total in 1911, 630,181 were black, 163,201 were colored, 15,605 were white and the rest were Mongolians, East Indians, and others unclassified. One-half of the population live an almost hand-to-mouth existence and 100,000 have an average income of about twelve cents per day.[1] The island still offers less attractive labor conditions than some of its neighbors; witness the large number of negroes who went from Jamaica to work on the construction of the Panama Canal compared to the small number who went from Cuba and Porto Rico.

The colonial budget is still in a precarious position and the debt,[2] both absolutely and when considered in the light of resources to be developed, is still far larger than that of some other British Caribbean colonies.[3]

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[1] *Daily Consular and Trade Reports,* Aug. 17, 1910, and July 19, 1912.

[2] The debt for 1913 is reported as amounting to $19,315,370. *Statesman's Year-Book,* 1915, p. 326.

[3] The public debts of the other chief British Caribbean colo-

The large estates which formerly supported a rich planter aristocracy have been undergoing a process of abandonment and parceling ever since the abolition of slavery. Between 1839 and 1896 there were 518 estates abandoned, and between 1896 and 1909, 64 were added to the list. The plantation system has been gradually yielding to holdings ranging in value from $100 to $200, and there were reported in 1910 only 22,320 of a value over $200.[1] Little more than one-seventh of the estimated tillable acreage is cultivated.[2] The chief crops in order of acreage are bananas, sugar cane, coffee and coconuts.

The hopes of the plantation owners still include a desire for the revival of the sugar industry which once made the colony so valuable. Until recently the outlook has been uniformly discouraging. The acreage under sugar has fallen steadily since 1869. The slaves had been freed. Bounty-fed beet sugar forced down the price of cane sugar and cultivation was no longer profitable. To be sure, the year of greatest sugar exportation did not come till 1887, when 46,000 short tons were marketed abroad besides immense quantities of rum, but this did not reflect a permanent prosperity and the industry languished. Rum, even in late years, constituted 10 per cent. of the value of the island's exports, but rising excise taxes, especially in England and Ger-

nies are Bahamas, $236,115; Barbados, $2,184,500; Trinidad and Tobago, $5,225,465; St. Lucia, $711,150; St. Vincent, $250; Grenada, $618,350, and Leeward Islands, $1,334,250. Compiled from *Statesman's Year-Book*, 1914.

[1] *Daily Consular and Trade Reports*, Aug. 17, 1910.

[2] *Statesman's Year-Book*, 1915, p. 826.

many, have largely destroyed the possibilities of increased economic stability in that branch of the industry.[1]

The government has not given up hope of building up the sugar industry and announces that already "the revival . . . is commencing in earnest." [2] The natural resources of the island and the developments in similar regions, notably in Cuba and Porto Rico, seem to justify the belief that with improved methods of cultivation, and especially with better methods of extracting the juice from the cane, sugar may again rank as one of the island's chief sources of support.

Contemporaneous with the decline of the sugar industry has come an important development in another branch of agriculture—fruit raising. Thus far this development has been chiefly in banana growing. The citrus fruit trade has not become important, partly because of the lack of adequate transportation facilities. Oranges are easily grown but they cannot be shipped with bananas because they give off carbonic acid gas, which causes premature ripening,[3] and the market has not yet developed sufficiently to justify the making of special shipping facilities. Further, the possibilities of developing a profitable citrus fruit trade are limited by

[1] *Daily Consular and Trade Reports,* August 28, 1913. The rum exports have fallen in recent years from a value of $1,139,496 in 1909 to $326,546 in 1912. Sugar was exported to the extent of only $646,263 in the same year.

[2] Report of the Director of the Agricultural Department of Jamaica, 1909-10, quoted in *Daily Consular and Trade Reports,* October 7, 1910.

[3] See Report of the Director of Agriculture of Jamaica, 1909-10, quoted in *Daily Consular and Trade Reports,* Oct. 7, 1910.

adverse tariffs. This is not true in the countries of northern Europe which have no home citrus fruit industry to develop, but it is unlikely that the American growers of lemons, oranges and grapefruit will neglect the use of the tariff to protect them against similar products from islands under foreign flags.

If it were not for the banana industry the plight of Jamaica would be sad indeed. The export fruit trade to the United States explains the colony's fine steamship connections, and without it all lines of foreign trade would suffer. The fruit plantations have brought under cultivation large tracts formerly lying fallow, and through it neglected or abandoned properties have again been made to yield good profits. Even as late as 1879 the banana exports were only 5.1 per cent. of the total; they reached in late years from 40 to 50 per cent.[1] Though Jamaica is not a one-product colony to the extent that many of the smaller West Indies are, its financial prosperity is thus largely and increasingly bound up with that of a single industry.

Other branches of agriculture promise well but must develop slowly on the basis of small holdings instead of plantations. Thus, coffee is rapidly ceasing to be an estate crop in Jamaica, as is also tobacco. The former is now the second article of export. Tobacco can be grown to advantage only by peasant farmers with a large number of children who can help with the work. The government experiments in its culture have been disappointing, and the quality of the leaf is such that difficulty is found in marketing the product. More

[1] *Daily Consular and Trade Reports*, August 28, 1913.

careful selection of seed, better methods of handling and curing the crop may, however, make the industry prosper.

What has already been said concerning the various products of the island shows its dependence upon favorable commercial relations with the United States, for here lies its great market. Almost three-fifths of the exports go to our ports as compared with one-fifth to the United Kingdom.[1] We take practically all of the four principal fruits shipped, and in some years as high as 99 per cent. of the bananas.[2] Jamaican coffee, however, like that from the other West Indies, has never become popular in the United States, and most of it goes to France. In the island's imports we also hold first place.

The rising importance of American as compared to British trade, next in amount in the island, is shown by the following table.

THE SHARE OF GREAT BRITAIN AND THE UNITED STATES IN EXPORTS AND IMPORTS OF JAMAICA

| Year | Exports | | Imports | |
|---|---|---|---|---|
| | Great Britain | United States | Great Britain | United States |
| 1872 | 81. | 10. | 59. | 23. |
| 1882 | 62. | 17. | 55. | 30. |
| 1892 | 32. | 50. | 51. | 34. |
| 1902 | 21. | 62. | 48. | 41. |
| 1912 | 13. | 60. | 43. | 41. |

In spite of our many steamship connections, the freight rates to Jamaica, and this comment applies to

[1] *Daily Consular and Trade Reports*, Oct. 21, 1914.

[2] *Ibid.*, Aug. 28, 1913.

other islands of the West Indies as well, are high. They are about the same as from Jamaica to Europe, although the distance is much less.[1] Better rates would doubtless develop still further the interchange of goods, although our present position is so favorable that marked improvement can be brought about only by an increase in the standard of living of the average Jamaican citizen. Enterprise in the island, additional investment of capital, and a higher standard of life must be present before any great increase in commercial importance will be possible. As one of our consuls has reported, "Unless these necessary elements are supplied, the United States evidently has all the business on the island worth going after."[2]

### TRINIDAD

Most important of the British West Indies in imports, and far the most important in export trade, is Trinidad. Much less than half as large as Jamaica, its foreign trade is greater than that of the larger island, and in view of its possibilities for development, it boasts itself the "Canada of the West Indies." At present the chances of putting Trinidad upon a truly prosperous basis are much better than in any other European colony in the West Indies.

Not the least advantage which the island enjoys is the

[1] *Daily Consular and Trade Reports*, July 19, 1912. To Barbados, however, the rates are reported as appreciably less than to Europe. *Daily Consular and Trade Reports*, Sept. 23, 1914. This is due to the fact that the island lies on the route of vessels going to South America.

[2] *Ibid.*, Aug. 17, 1910.

character of its population, for there have settled here the greatest single group of East Indian immigrants to be found in the New World, and these men, it seems generally agreed by those familiar with local conditions, are "the men of the future" for the region in which Trinidad lies. It is beyond doubt, at least, that they have contributed remarkably to the active labor supply and have largely made possible the development which has occurred in the colony. Of the total population of 365,000, "some 115,000 are East Indians and more than 200,000 are negroes, 'colored' or partly colored. Next to these two races the Portuguese perhaps predominate and then in order come the Spanish, French, Scotch, Canadian, English and American, there being but few of the last named." [1] Evidently, Trinidad, like Jamaica, is distinctly not a white man's country if it is to be judged by the color of the present population. Practically thirteen out of every fourteen of the inhabitants are of dark skins.

The agricultural possibilities of the island are declared favorable for a wide range of tropical fruits. Oranges, bananas, mangoes, limes, grapefruit, guavas, paw-paws and avocado pears are easily grown and already figure among the exports, but the lack of refrigerating facilities on the steamships which visit the islands has thus far hindered any important development similar to that in Jamaica. The outlook for plantation rubber, however, is encouraging.

Agriculture has been chiefly confined to raising cocoa,

[1] *Daily Consular and Trade Reports*, Nov. 5, 1913, and *Commerce Reports*, Supplement, April 1, 1915.

the present great source of the island's wealth. Of the total area over one-third is under cultivation, and of this about three-fourths is devoted to the cocoa crop.[1] The product is not manufactured locally but is practically all shipped in the bean to other countries, chiefly the United States, for manufacture. The colonists realize that from the present outlook their prosperity depends on the market for this crop, and all tariff arrangements are negotiated especially with their effect on cocoa-growing in view. In 1913, the chief hesitancy of Trinidad in entering the Canadian Preference Agreement, now in force, was due to the fear that giving Canada a preference in her trade might result in the imposition of duties on the cocoa sent to the United States, which enjoyed free entry. The same concern was felt by the growers in St. Lucia and Dominica.[2]

The other agricultural products of importance are sugar and coconuts. The sugar industry has been declining for a decade but, due to the European War, has recently had a revival, the shipments being sent principally to the home country. Coconuts are exported chiefly to the United States. Rice growing is also increasing in importance but, as yet, the demands of the local market practically consume the supply.[3]

The most widely known resource of Trinidad is, of

[1] *Daily Consular and Trade Reports,* Nov. 5, 1913. In 1914, 63,000,000 pounds were exported. See *Commerce Reports,* Supplement, April 1, 1915.

[2] *Canada-West Indies Conference,* Ottawa, 1913, pp. 43, 47 and 102.

[3] *Daily Consular and Trade Reports,* Nov. 5, 1913, and *Commerce Reports,* Supplement, April 1, 1915.

course, its apparently unlimited supply of paving asphalt. The "asphalt lake" continues to be the source of an increasing output. Formerly, asphalt in its various forms was the colony's chief export, but it is now exceeded in value by both cocoa and sugar.

Crude petroleum has also been found in good quantity. This resource will become especially valuable with the development of traffic through the Panama Canal, and if the oil lands prove to be as extensive as is now claimed, a result many outsiders feel unlikely, it will make Trinidad one of the chief fuel-oil supply stations of the world.[1]

Trinidad occupies a favored position as a trade center for the West Indies south of Cuba, and for northern South America. Its location has led to the development of an important transshipment business which contributes to prosperity. It is also becoming one of the important coaling stations of the West Indies. The imports of coal from the United States reach a value of a quarter of a million dollars annually, not counting the large quantities taken by steamers which are not entered at customs.

The proportion of the foreign commerce of Trinidad falling to the United States is large. In recent years first place has been held by the United Kingdom and the United States alternately, each taking about one-third of the total. The chief articles sent to Great Britain are, in order of importance, sugar and cocoa. To the United States the main exports are cocoa and

[1] *Daily Consular and Trade Reports*, Nov. 5, 1913, and *Commerce Reports*, Supplement, April 1, 1915.

asphalt. The only other country figuring prominently in the account is Venezuela. Trade with the latter country is composed to a large extent of transshipment of goods.[1]

Of all the colonies parties to the agreement, Trinidad is the most affected by the provisions of the Canadian Preference legislation of 1913. The effect of this measure on trade with the United States, judging from the first two years of its operation, will be unfavorable. Many of the most important economic interests in the island, notably the cocoa business and the asphalt industry, are either controlled by American capital or feel that the American market is not to be sacrificed for whatever advantages may be reaped from closer relations with Canada. This point of view was repeatedly voiced by the cocoa growers during the conference preceding the Preference Act. Unlike the sugar estates, the cocoa plantations are in the hands of a large body of resident owners. In 1913, there were 28 sugar plantations held by thirteen companies, most of the owners of which were non-residents. But there were over 500 estates producing cocoa, the owners of which were largely resident.[2] Over half of the local product is shipped to the United States and the planters are anxious to retain the market. Any move on the part of the United States to retaliate for Canadian preference would seriously affect the industry both in Trinidad and Grenada, "particularly as the cocoa industry [would]

[1] *Commerce Reports*, Supplement, April 1, 1915, and *Commerce Reports*, Supplement, Sept. 4, 1915.

[2] *Canada-West Indies Conference*, Ottawa, 1913, p. 102.

have to bear its share of any extra taxation . . . necessary to make good any loss of revenue due to the establishment of the preference." [1]

[1] *Canada-West Indies Conference,* Ottawa, 1913, p. 102.

# CHAPTER IV

## RELATIONS OF THE UNITED STATES WITH THE BRITISH WEST INDIES

### The Smaller Islands and Mainland Colonies

### BARBADOS

Third in commercial importance among the single islands of the British West Indies is Barbados. Its foreign trade is rather less than one-half as great as that of Jamaica and slightly more than one-fourth that of Trinidad. Like Jamaica, it is essentially a black colony and, in recent years, conditions of employment have not been favorable. The island exported to Panama many of its laborers to help in the construction of the canal. Like Jamaica, too, its history has been closely bound up with sugar production, but unlike the larger island the changes in the industry have not caused the abandonment of the plantations or their adaptation to other uses. Barbados was long ago a sugar colony. In fact, it was the first successful sugar colony of Great Britain in the West Indies and a sugar colony it is today.

In many ways it is the most interesting of the smaller British-American possessions. Its high state of cultivation, its picturesque landscapes, its well kept plantations, on which steam-driven machinery has even yet displaced only in minor degree the enormous wind-

mills for grinding sugar cane, all combine to make it a favorite resort for tourists from both Americas.

Unlike certain other British West Indies, Barbados has not found the United States the best market for its goods. The sugar tariffs heretofore have turned the shipments to British ports, especially to British North America.[1] The United States takes less than a tenth of the exports, the only important item being molasses.

In the imports of the island our trade holds a more important place. In recent years we have furnished between a fourth and a third of the total. We market there more than twice as much as the British North American colonies and almost four-fifths as much as the United Kingdom. The chief articles now sent are ones which regularly figure largely in our West Indian trade, namely, provisions and coal.[2] Furthermore, there is little opportunity for trade expansion in Barbados. It has been intensively cultivated for a century, and increased sales can come only with a rise in the standard of life and improved manufacturing methods. Nevertheless, it is not encouraging to find the United States steadily losing in the percentage of the trade handled. We formerly furnished practically all of the horses, mules, corn, oats, and flour. Argentina and Uruguay are now supplying the animals and Canada is cutting into the foodstuffs trade. Canada has the advantage of a subsidized line of steamships and since June 2, 1913,

[1] *Commerce Reports*, Supplement, September 4, 1915, and *Daily Consular and Trade Reports*, December 16, 1914.

[2] *Daily Consular and Trade Reports*, October 24, 1914, and December 16, 1914.

has a tariff preferential of 20 per cent. on some competing articles and 24 cents per barrel on flour. Our exports to Barbados, therefore, seem not likely to prosper.

Barbadian cane products have recently shown a tendency to rearrange their order of importance. Sugar, formerly the mainstay, now occupies a less important position. With trifling exceptions, only the light-brown grade is produced and the greater bulk of it is shipped out of the country for refining. Rum production, once an important by-product, is now declining, due to causes elsewhere discussed. Molasses, however, has in some recent years raised itself from the position of a by-product to the most important individual item of export. Barbados, in fact, should perhaps be called a molasses island rather than a sugar island.

### THE WINDWARD ISLANDS

In the same region as Barbados, and sometimes treated with that colony as a single group, are the Windward Islands, consisting of Grenada, St. Vincent, the Grenadines and St. Lucia. In a general way, the group skirts the eastern rim of the Caribbean Sea from the French colony of Martinique to Trinidad. All are essentially black colonies. The three larger islands[1] to-

[1] The following statistics, compiled from the *Statesman's Year-Book, 1914,* show their importance:

| | Area sq. miles | Population | Acres under Cultivation |
|---|---|---|---|
| Grenada | 133 | 66,750 (1911) | 30,200 (1912) |
| St. Vincent | 140 | 41,877 (1911) | 20,000 |
| St. Lucia | 233 | 48,637 (1911) | |

gether are next to Barbados in commercial importance and are all markedly dependent on single crops.

Grenada, the most populous and most thickly settled, was formerly important in the growing of sugar cane, but its production and that of the by-product, rum, are both now decreasing. The island is readjusting itself to new economic conditions. The cocoa trade is growing and the production of spices is important. In fact, cocoa promises to be the big crop of the future in the entire group, as is already the case in the neighboring colony of Trinidad. It is already the greatest crop of Grenada. One of the West Indian representatives in the Canadian Tariff Conference declared the island produced "almost nothing else" and in St. Lucia it is almost as important as the sugar crop.[1]

Historically, St. Lucia has played a much more important part than its resources indicate. It was the scene of an early dispute over possession between France and England, and it was long an important British naval base from which watch was kept upon the French ships stationed at Port Royal, Martinique. Now it has settled down to an uneventful reliance on sugar, cocoa and rum. Its garrison has been withdrawn and the British fleets no longer enliven its harbor. Its black population is unenterprising, and under present conditions there seems to be no great future for the colony.

St. Vincent is famous because especially suited to the growth of sea island cotton. It is claimed that the best

[1] *Canada-West Indies Conference,* Ottawa, 1913, p. 27. Of the exports valued in 1911 at $1,267,871 cocoa accounted for $1,085,736. *Daily Consular and Trade Reports,* November 5, 1913.

long-staple cotton in the world comes from its plantations. Over one-fourth of its cultivated lands are devoted to this, its most important product, but cotton yields to arrowroot as the most distinctive product of the island.

Arrowroot, the name being applied both to the plant and its manufactured product, is a form of starch especially suited for use in the manufacture of chocolate. Thus far the island has a practical monopoly of its production for the world trade, although there is apprehension that its cultivation may be found profitable in Cuba or Porto Rico, a development which would seriously impair the basis of the island's prosperity.[1] In good years the island produces about 5,000,000 pounds. Together, cotton and arrowroot constitute almost four-fifths of the island's exports.[2]

Like Barbados, the Windward Islands send their exports largely to British ports, but chiefly to the home country, not to Canada. Our trade with Grenada and St. Lucia, in spite of the cocoa production of the islands for which we might bid, is negligible.[3] The sea island cotton of St. Vincent is "wholly exported . . . to the United Kingdom" [4] and two-thirds of the arrowroot has that destination. The United Kingdom and British dominions take practically all the exports and are the main sources of the imports of the group. Lack of trade with

[1] See testimony of Mr. Griffith, advisor for St. Vincent in the *Canada-West Indies Conference*, Ottawa, 1913, pp. 30, 65.

[2] *Daily Consular and Trade Reports*, July 2, 1913.

[3] *Ibid.*, Nov. 5, 1913, and July 2, 1913.

[4] Memorial of St. Vincent quoted in *Canada-West Indies Conference*, Ottawa, 1913, p. 69.

the United States is due in part to the fact that we have no direct steamship connection with the islands, while Canada has one line and the United Kingdom has three.[1]

### THE LEEWARD ISLANDS

Lying north of the Windward chain and southeast of the American colony of Porto Rico are the Leeward Islands, which as a group illustrate the distinctly one-product character of many of the West Indian colonies. The principal islands are Antigua, St. Kitts-Nevis, Dominica, Montserrat and the Virgin Islands. None of the West Indies presents from the sea a more pleasing appearance than do these outposts of the British Empire. Their hills rise green-clad from the sea to be swept by steady sea breezes and brightened by a seldom failing sunshine. Close at hand they give a less idyllic picture. The population is predominantly black and tends to become blacker. Between 1901 and 1911 the number of people on three of the larger islands declined. In Dominica it increased, but for the group as a whole a loss was registered.

Dominica, with an area of 305 square miles, is almost three times the size of Antigua, the next in size and population. Aside from its commercial position, the island is interesting because it contains the last remnants of the Carib race which Columbus found in the West Indies on the discovery of America. Their numbers have gradually dwindled and by intermarriage with negroes, the purity of their blood has been largely lost

[1] *Daily Consular and Trade Reports*, July 2, 1918.

until now those of unmixed race hardly count more than a hundred.

Unlike the neighboring islands, however, population conditions in Dominica are encouraging. In the period 1901-11 the number of inhabitants increased almost 15 per cent. in response to changing economic conditions. The economic prosperity of recent years is due almost solely to the development of a single industry, the growing of limes,[1] which has been fostered by the government with unusually successful results. During the six years preceding 1914 the government nurseries disposed of 326,000 lime trees to planters and large numbers raised privately were also planted. As a result of this enterprise and the better care given trees already in bearing, the exports of green limes have increased remarkably. The principal market for the fruit in this condition is New York.

But the trade in green limes is not so important as that in raw and concentrated lime juice, both of which products have long been well known on British markets. The island produces about 150,000 gallons of the former and over half a million gallons of the latter. The lime products exported reach a value of almost two-thirds of the total. The popularity of all lime products in the United States is rapidly growing, and as a consequence this country now occupies second place in the foreign trade of the colony.[2]

[1] See discussion in *Daily Consular and Trade Reports*, Sept. 27, 1913, and *Commerce Reports*, Supplement, Sept. 4, 1915.

[2] *Commerce Reports*, Supplement, Sept. 4, 1915, and *Daily Consular and Trade Reports*, April 8, 1914, and July 2, 1918.

Antigua, St. Kitts-Nevis and Montserrat figure more in history than in present-day commerce. They were the haunts of the buccaneers and the scene of disputes for possession, which now seem all out of proportion to the importance of the issue. They have little to distinguish them. Their population is black and their resources, almost wholly agricultural, bear little contrast to those of the neighboring islands. In all but the last sugar is the most important product. In Montserrat, as in Dominica, the lime industry is being developed.

The Virgin Islands, fifty-eight square miles in area, with a population of about ten to the square mile, contain all the rest of the Leeward group, except the Danish West Indies and Crab Island, which belongs to the United States. The people are chiefly negro peasant proprietors who grow cotton, sugar, and limes. Commercially, the islands are unimportant.

Due to the character of their products and communications, the Leeward Islands have been closely connected by trade with the home country. The popularity of lime juice with the people of Great Britain is proverbial. Its preëminence among Leeward Island products and the fact that it is easily transported and keeps indefinitely have combined to make it one of the means by which the home country has kept first position commercially. As has already been shown, however, a market for these products in the United States is also developing and the growth of the green-lime industry, which necessitates prompt marketing, may mean the further extension of a market in which, because of her position,

the home country cannot enter as a competitor on equal terms.

The total trade of the group is about evenly divided between imports and exports. The United Kingdom furnishes about forty per cent. of the imports and other British colonies about half as much. The United States furnishes thirty-four per cent. What the effect of the Canadian-West Indies Preference Act will ultimately be on the islands' trade is as yet problematical.[1]

### BAHAMAS

The Bahamas are a British colony once well known, or notorious, in the United States. Nassau, the headquarters of the blockade-running steamers in the Civil War, became for a time a prominent transshipment port. It is now off the route of important international trade and the colony as a whole is far from prosperous. Though they are nearly two and a half times the size of Trinidad (1,754 square miles) and considerably larger than Jamaica (4,200 square miles), the Bahamas (4,404 square miles) are by far the least important of all the larger groups of the British West Indies. Their foreign trade in 1914-15 was about one-twelfth the value of that of Trinidad. In their territory, two hundred and thirty-one times that of Bermuda, there live, according to the estimate of 1914, some 56,766 people. Yet Bermuda, with its somewhat more than nineteen square miles of territory and forty per cent. of the population,

[1] For a discussion of the effects of tariff changes introduced in 1910, see *Daily Consular and Trade Reports*, Nov. 29, 1912.

has a trade greater than that of the Bahamas.[1] The twenty inhabited islands and many uninhabited islets and rocks scattered over a distance of seven hundred miles in the sea off the southeast coast of Florida have scant possibilities of commercial development. Less than one-sixth of their population are of white blood, and it is practically stationary. It is now reported to be declining, and there is a continued emigration of the laboring class to Florida.[2] The ownership of almost six-sevenths of the land is in the Crown.

Until recently, the important products have been sponges and turtle shell, both indicative of the comparative sterility of the island's soil. Like many of the West Indies, the Bahamas are now revolutionizing their industries in the adjustment made necessary by changed conditions locally and in the world market. The turtle-shell industry has steadily declined in recent years and the European War temporarily put an end to the industry. The sponge industry is static, but threatened with a decline as the take of wool sponges, the chief variety harvested, has outrun the production. The Marine Products Board has urged that an effort be made to counteract the decline by the introduction of the Mediterranean sponge.

The outlook would be dark but for the promise of the recently developed sisal industry. Though carried on under crude methods, the growing of this product has

[1] This comparison is made, for Bermuda, from the statistics of 1912 in the *Statesman's Year-Book;* for the Bahamas, from the *Daily Consular and Trade Reports,* September 28, 1914.

[2] *Daily Consular and Trade Reports,* September 28, 1914.

increased in popularity and it now occupies second place among the colony's exports.[1] The citrus-fruit industry is here, as in the other West Indies, hindered in its normal development by the tariff charges in the United States. There is, however, an increasing production of pineapples, which are canned for export, and of vegetables for the early spring trade with the United States.

Lying so close to the United States as they do, we should expect the larger portion of the trade of the Bahamas to go to the neighboring republic. This is, in fact, the case. Of the total, the United States supplies about three-fourths of the imports and takes almost 50 per cent. of the exports. The principal articles of import are foodstuffs and textiles. The chief exports are sponges and sisal hemp, which together form about four-fifths of the goods marketed abroad. Practically all of the hemp and almost a fourth of the sponges go to the United States.[2]

Possibly the most extreme illustration of the economic dependency of the West Indies is furnished by the Turks and Caicos Islands, two groups of the Bahamas which are politically a part of Jamaica though they are economically a separate colony. The population in 1911 was 5,600, of which only 280 were white. News from the outside world arrives only through steamers and through a weekly Government gazette. There is no telegraph service nor public telephone. Accounts

[1] See *Daily Consular and Trade Reports*, Oct. 6, 1913; June 25, 1914; June 30, 1914; and September 4, 1915.

[2] See *Daily Consular and Trade Reports*, Sept. 28, 1914, and *Commerce Reports*, Supplement, Sept. 4, 1915.

are kept in American currency and United States coins are used interchangeably with British. Vegetables cannot be raised. Except for a small production of sponges and sisal hemp, the only commercial product is salt, produced by evaporating sea water. The community is far from prosperous and often is reduced almost to the margin of subsistence. Time was when Turks Islands salt, which the Imperial Institute of London reports as 99.42 per cent. pure, enjoyed wide reputation and popularity. It is said its use was formerly required in the preserving of meat for the army and navy of the United States. Those days are gone, but salt raking is still the colony's source of life. Salt forms about 75 per cent. of the total exports. Of salt exports above three-fourths goes to the United States as do practically all the sisal hemp and sponges.[1]

### BERMUDA

Bermuda is classed among the West Indies in statistics published by the United States Government, though by position and character it is properly a separate group of islands. It differs from the other British West Indies in many ways. Lying 1,475 miles north of Trinidad and 580 miles east of Cape Hatteras, the islands are rather a halfway house on the road to Europe than an integral part of the group of colonies which includes Trinidad at the mouth of the Orinoco and British Honduras on the border of the disturbed Central American republics.

[1] *Daily Consular and Trade Reports* on Turks and Caicos Islands were issued April 4, 1913, and August 27, 1913.

Little more than nineteen square miles in area, these 360 small islands, some twenty of which are inhabited, have long been noted for their beautiful scenery and equable climate. The colony is practically stationary in population at slightly less than 20,000, of whom less than one-third are whites.[1] It is the most important naval base for the British forces in the west Atlantic.

The review of the colonies already discussed must have impressed the reader with the extent to which these scattered possessions may be called "one-product colonies." In almost every one some one article plays so important a part in its foreign commerce that the success of a single crop and the activity of its market determine the prosperity of the entire community. In this respect Bermuda is no exception. Trinidad lives on cocoa, Jamaica on bananas, Barbados on sugar and molasses, Turks Islands on salt, British Honduras on mahogany, St. Vincent on arrowroot, Dominica and Montserrat on lime juice and Bermuda on vegetables, chief among which are potatoes and onions. Ninety-two per cent. of the latter islands' exports in 1914 were vegetables, and of these about 90 per cent. go to the United States.[2] Of the islands' imports, the United States furnishes two-thirds. Stated in another way, the United States ships more goods to Bermuda and buys

[1] The census of Dec. 31, 1911, gives the population as 19,152, of whom 6,820 were whites. *Statesman's Year-Book*, 1914.

[2] *Daily Consular and Trade Reports*, Oct. 8, 1913, *Commerce Reports*, Supplement, Sept. 4, 1915, and *Daily Consular and Trade Reports*, October 14, 1914.

more from the colony than all other countries combined. Without the North American market, Bermuda would be only an out-of-the-way-island port of call instead of a fairly prosperous colony of 20,000 people on a total cultivated area of 4,000 acres. Like Switzerland, Bermuda is finding its climate a natural resource of no mean value. Here, it is winter travel which helps fill the pockets of the inhabitants. The tourist trade from New York is constantly growing and the islands' natural advantages are such that this source of income seems sure to become of increasing importance. The tourists visiting the island now number about 28,000 annually, or almost one and a half times the resident population, and spend, it is estimated, from $750,000 to $1,125,000 annually in the islands. Direct steamship connections with the United States foster this travel as they do our trade relations with the colony. Judged from the point of view of imports, exports, or tourist trade, Bermuda is economically an appanage of the United States, dependent for its prosperity upon the prosperity of its market and the favorable customs duties granted to its products.

### BRITISH HONDURAS

Though British Honduras, like British Guiana, is not properly classed as among the West Indies, it may be treated here for the advantage of comparison with the other colonies of the United Kingdom. In area, its 7,562 square miles give it rank after the other mainland division. It is the smallest of the Central American

units, with the exception of Salvador. Its 37,000 inhabitants number less than twice the population of Bermuda, although it is nearly 380 times as large. The United States sends to the colony goods of greater value than any other country, reaching almost 50 per cent. of the total, the principal items in order of importance being provisions, textiles and machinery. Of the colony's exports we take far more than all other countries combined.[1]

British Honduras figures in export trade almost exclusively in vegetable products though, unlike the Central American countries, the first place is taken by woods instead of fruits. The latter are, however, growing in importance. Chicle gum, formerly a leading product exported exclusively to the United States, is now falling in amount though the shipments, even in recent years, have constituted one-third the value of the exports. Mahogany and cedar exports are rapidly increasing, especially to the United States. In 1897, the great mahogany resources of the colony were drawn upon by the United States for only 50,000 feet, but in 1914, 9,993,120 feet were taken.

The natural market for the region is the United States; fruits are sold there almost exclusively; and Americans are the only important consumers of mahogany and cedar. The development of the American market has brought prosperity to the colony, and exports are rapidly increasing though the population is not. The budget no longer shows receipts as less than

[1] *Commerce Reports,* Supplement, May 1, 1915. See also *Daily Consular and Trade Reports,* December 20, 1912, and May 1, 1913.

expenditures, a condition which there is every reason to believe will continue.

### BRITISH GUIANA

Largest in area, but by no means greatest in importance among the Caribbean colonies of the United Kingdom, is British Guiana. Eighty-nine thousand square miles in extent, or about equal to French and Dutch Guiana combined, it comprises tropical areas for which great hopes have been held. Less than 300 square miles are under actual cultivation. On this area live almost three hundred thousand people.[1] Settlements fringe the coast and the rivers, but the interior is practically untouched except for the gold workings. Roads formerly well kept are now impassable. The per capita trade strength of the colony is far below what it was a century ago. Then, the foreign trade is asserted to have been $100 per capita. It is now less than $30. Sugar, formerly a prosperous industry, has declined. The well kept plantations of the slavery days are gone, and in 1914 there were only forty plantations in operation. The sugar production remains about constant at 100,000 tons annually.[2] Cotton and cocoa production were formerly more important than at present. The future of the colony is declared to be dependent upon the success attending East Indian immigration.

New products have somewhat relieved the depression

[1] Rodway, James, *Guiana*, London, 1912, p. 232.

[2] Bayley, G. D. *Handbook of British Guiana*, Georgetown, 1909. See also *Commerce Reports*, Supplement, April 29, 1914. *Daily Consular and Trade Reports*, Dec. 17, 1913.

caused by the decline of the colony's former staple industries. Rice has gradually been gaining on sugar cultivation. The low lands of the coast are well suited to this crop, which is said to have great possibilities of increase. The colony is already the most important rice-raising district of the West Indies, the only one which contributes heavily to export. With the exception of one American plantation, the industry is carried on on small holdings. East Indian labor is generally used. Balata, a low-grade rubber gum, is also becoming an important export. Of the imports the United States furnishes about one-fourth, the United Kingdom about one-half. Of exports the United States takes less than ten per cent., the United Kingdom and Canada forty per cent. each.[1] The imports from the United States are predominantly foodstuffs, from the United Kingdom textiles and foodstuffs. Sugar forms about two-thirds of the exports, followed by gold, rum, balata and rice.

### THE ECONOMIC POSITION OF THE BRITISH COLONIES

The last twenty years, which have seen such remarkable changes in the basis of industry in the British West Indies—changes usually for the better, have brought also a marked shifting in the position of the United States toward them. Formerly, with the exception of sugar and molasses, there was small importation of Caribbean products to our ports. We took compara-

[1] *Daily Consular and Trade Reports*, Dec. 17, 1913. *Commerce Reports*, Supplement, April 29, 1915, and *Commerce Reports*, Supplement, Dec. 27, 1915.

tively small amounts of their coffee and cocoa. The fruit trade was just beginning to be important.

But several influences have now changed our point of view and have made our country's market, always important for the West Indies, now the greatest consideration of their commercial policies. First, they have changed their products. Cocoa and fruits are now produced in enormous quantities. We are the best customer, and for practical purposes, the sole customer in the fruit trade. We are more important to them than formerly. Secondly, we have changed our industries, with the result that in some lines of trade they have become less important to us. We now produce at home large quantities of some of the products which could be supplied from the West Indies. Our southern cane fields and our beet sugar fields give us home-grown sugar and we are raising our own citrus fruits.

Thirdly, we have enlarged our territorial holdings and have by special treaty agreements come into close relationship with tropical territories. Still other agreements of a similar sort are not unlikely to be made in the near future. These arrangements operate to discourage the trade of communities not favored. Porto Rican, Hawaiian and Philippine sugars have received and probably will receive favors above foreign sugar. The industries in these communities add their voices to those in the states proper for the maintenance of tariffs against foreign West Indian products. Some concessions will probably be made to the protectorate areas. We already favor Cuban as against other foreign West Indian products, and the conclusion of other tariff ar-

rangements granting special favors to the other countries to which we are closely allied politically may follow. The economic effect upon the British West Indies will not increase their prosperity.

The position of the foreign-owned West Indies may therefore become continually less favorable as the United States develops a comprehensive West Indian tariff policy. Instead of a relation of mutual dependence, which would have been the result had the political and economic conditions of two decades ago remained unchanged, the present relations tend to become those between a large power economically independent and a group of small communities whose prosperity depends in large degree on the tariff favors which the northern republic grants. The European colonies are confronted by the alternative of finding a market elsewhere for their products, a course rendered difficult because of the nature of their chief articles of export, or of finding themselves in an increasingly unfavorable position of economic dependence.

The disadvantage of such a situation has not escaped the attention of those directly concerned. In the Canada-West Indies Conference of 1913, as has already been shown, the representatives of the islands were anxious that the arrangements made should be of such a nature that the chance of retaliation by the United States should be reduced to the minimum. Referring to the new conditions brought about by the recent political developments and the altered policy which they counseled for the British colonies, Mr. George E. Foster, Canadian Minister of Trade and Commerce, in his opening

address pointed out that there has come a great change in the position of the British West Indies—"the United States has now within her own territory or affiliated to her by special treaties, a tropical area which goes far toward satisfying her own wants. . . . As these countries now have advantages which are not enjoyed by the British West Indian islands a complete reversal of the position of things . . . has taken place. . . . We are more and more driven to come to each other for our mutual advantage." [1]

The dissatisfaction felt at the situation has found expression in pessimistic publications, both in the islands and in the home country. It was urged at the time when the Canadian agreement was under consideration that "For us to declare preferential treatment in favor of Canada, on goods which we now get from the United States, would undoubtedly prove to be an experiment which would bring about certain ruin to the West Indies; more so in the case of Jamaica, which is almost entirely dependent on her markets." It was feared that the maximum tariff provision of the Payne-Aldrich Tariff bill might be applied on the plea that the tariff agreement constituted unfair treatment of United States trade.[2]

Mr. Richard Jebb, in an article on "The West Indies and the Empire" in the London *Standard,* sees in the present economic position of the United States a men-

[1] *Canada-West Indies Conference,* Ottawa, 1913, p. 4.

[2] Meikle, L. S. *Confederation of the British West Indies versus Annexation to the United States of America.* London, 1912, p. 120.

ace to European control. He declares, "The present gravitation towards the United States would be counteracted, not only for the British, but also for the other islands, by a new center of attraction in a vigorous Caribbean Confederation under the British flag inspired with the sense of a future political welfare full of possibilities." [1] The more radical West Indian party also believes that political reorganization might have a favorable influence. They declare for "Confederation of the British West Indian Colonies, with responsible government, as the only means of checking ultimate annexation to the United States of America." [2]

But the West Indies, as shown by the expressions of opinion by their official representatives, will be slow to court trouble with the 100,000,000 people of the United States, who will naturally remain potentially their best customers.

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[1] Quoted in Meikle, op. cit. p. 181.

[2] Meikle, op. cit. pp. 253-4 and *passim*.

# CHAPTER V

## THE MINOR COLONIES OF THE CARIBBEAN

THE minor colonial possessions in the Caribbean region belong to three powers: France, Holland and Denmark. From the point of view of population, or commerce, or as a field for future settlement, none of these colonies seems destined to play a prominent rôle. The value of those on the mainland depends upon the changes in tropical settlement which will be brought by the triumphs of science over nature. The prosperity of the islands depends on their relation to the great trade routes which pass their ports. These may give them a commercial and military importance far beyond what their natural resources assure. The first two groups are each formed of a comparatively large colony on the mainland of South America and a number of small islands. Both represent what is left of the colonial empires once held by France and Holland in America.

### THE FRENCH COLONIES

France, Spain, and Portugal all once possessed great colonial empires in America which they have lost. The latter two have been entirely eliminated by the events of history; the first possesses only a shadow of her former possessions. With the exception of the two small

islands, St. Pierre and Miquelon, the land basis of the French fishing fleet off Newfoundland, all that remains of the American colonies of France are found in the West Indian region. Not of great intrinsic importance —even the French themselves recognize that these possessions lie too far off the trade routes to become important commercial centers—these colonies are interesting as an illustration of what may be accomplished in the development of a territory by following a highly nationalistic policy.

From the point of view of foreign trade, the French West Indies furnish a strong contrast to the other European colonies. It has been the policy to adhere to the old doctrine that the trade of a colony should be assured to the mother country. "Imports from foreign countries are subject to heavy duties" while French goods pay only a light *octroi de mer.* The regular French tariff rates apply except to a limited number of articles, necessary for the existence of the colony, which France cannot well supply. These latter come chiefly from the United States. In their export trade the French West Indian colonies are favored by free entry of their goods into France. Rum brings a better price in France than can be secured elsewhere. Sugar and rum form over four-fifths of the exports of Martinique, and practically all that shipped goes to France.[1] The same products predominate in the export trade of Guadeloupe, which goes practically entirely to French ports.[2] The French advantage appears in a striking

[1] *Commerce Reports,* Supplement, September 29, 1915.

[2] French customs returns for 1912, quoted in *Daily Consular*

manner in the import trade, though the United States, due to its proximity and to the fact that it can supply foodstuffs and lumber cheaply while France cannot, is an important source of the islands' supply.[1]

These two small islands furnish a good illustration of the development to which tropical territories may be brought even if they are purely agricultural. Their foreign trade, in 1912, reached for imports $7,921,575 and for exports $10,925,295,[2] or a total of $18,846,870, this, although the islands have a combined area of only 968 square miles and a population of 396,434, largely black. Compared to the showing of Costa Rica, the most stable and commercially most important of the Central American republics, this trade is large. The populations of the two are practically equal. Although manufactures are negligible in both and reliance is on simple agricultural industries, the foreign trade of the French islands is greater than that of the republic,

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*and Trade Reports*, Sept. 27, 1913, give the following figures: Guadeloupe exports, 1911, $3,907,379, of which to France and French colonies, $3,857,987. Guadeloupe exports, 1912, $5,034,270, of which to France and French colonies, $4,952,963.

[1] *Ibid.* Guadeloupe imports, 1912, from France and French colonies, $2,436,813 or 61.9 per cent.; from the United States $803,449, or 21.3 per cent. Martinique imports from France $2,058,168, or 48 per cent.; from United States, $1,545,896, or 36 per cent.

[2] *Commerce Reports*, Supplement, September 29, 1915, March 9, 1916, March 17, 1916. French Customs returns for 1912, quoted in *Daily Consular and Trade Reports*, September 27, 1913:

| | Imports | Exports |
|---|---|---|
| Guadeloupe .... | $3,768,155 | $5,034,270 |
| Martinique .... | 4,153,420 | 5,891,025 (including reëxports) |

though the latter is almost twenty-five times as large and has natural resources even more disproportionate.

Still it is not to be supposed that the condition of the French islands is prosperous. Far from it. In the days of slave-grown sugar these, like the other sugar islands of the West Indies, were veritable gold mines for their owners, but for two generations they have undergone almost continuous hard times and property values are but a fraction of what they once were. The local governments have been increasingly hard pressed to make ends meet, foreign commerce has not been prosperous and public revenues have fallen.[1] Neither island has in recent years been self-supporting and the home country has been forced to the unwelcome expedient of subsidy to enable the governments to perform their work effectively. Meanwhile, scandals in the management of public affairs have contributed to make the islands play an unwelcome rôle in French public opinion.

French Guiana, covering 31,000 square miles on the mainland, is much less important commercially than are the islands. Since the abolition of slavery, in 1848, it has steadily declined and now tends to become merely a convict colony. Sugar production, formerly important, has practically disappeared. Only a few ruins mark

[1] The foreign commerce of Martinique fell from 67,366,401 francs in 1882 to 34,937,260 in 1907. In 1912, it had risen to 50,222,225. That of Guadeloupe fell from 68,478,843, in 1882, to 29,850,001, in 1907; in 1912, it was 44,012,125 (Stephen Bonsal, *The American Mediterranean,* quoting statistics of the French Colonial Office for the years 1882 and 1907. The figures for 1912 are calculated from *Daily Consular and Trade Reports,* Sept. 27, 1913, quoting French customs returns).

the sites of former prosperous estates. Free white colonists will not go to the colony and the French Government has persisted in using it as a place to which convicts, especially political offenders, are to be transported. On March 5, 1911, the population of the settled fringe along the coast is reported as 49,009, of which 26,325 is urban. The convict colony numbers 6,465. There are in the back country some 12,000 men in the gold camps who produce practically all the exports. The export and import trade, except with the home country, is negligible. The annual drain on the home treasury reaches about $1,250,000, of which all but about $100,000 is due to the penal establishment.[1]

### THE DUTCH COLONIES[2]

For the Netherlands, as for France, the West Indian colonies are the last visible remains of far-reaching colonial ambitions in America. Not only in the favored region, which has since become New York, did the Dutch once aspire to become large colonial proprietors. In 1636, they set out to conquer Brazil and by 1640 found themselves firmly established in Reçife and what were

[1] See a protest against the continuation of the transportation system made by M. Boucon, in 1910, cited in James Rodway, *Guiana*, London, 1912, p. 149. See also pp. 152 and 171.

[2] One small island, St. Martin, between Anguilla and St. Bartholomew, is partly owned by France, partly by the Netherlands. A number of other islets must be mentioned if the list of European property in the West Indies is to be complete. Among them are St. Bartholomew, belonging to France, and Saba and St. Eustatius, belonging to the Netherlands. At the latter, tradition has it, the flag of the United States received its first international salute.

then considered the six best provinces of Brazil. The colony prospered, but in 1654, hard pressed in war by the English, the Dutch were forced to surrender all their possessions in the region. Only a few moss-grown forts, such as that which is still pointed out to tourists at Bahia, remain to bear witness to the Dutch colonial ambitions in what has become the largest of South American republics. During their brief stay of a quarter of a century they had made Brazilian sugar and rum familiar in European markets, but on industry, agriculture, morals and religion they left no impress.

Of greater importance and more permanent results were the Dutch colonial efforts north of the Amazon in the region now known as Guiana. As early as 1656 they established their control in Cayenne, but lost the colony to the French in 1664, the same year England wrested from them their colony of New Amsterdam. Three years later they made good this loss by seizing the English colony of Surinam which, after many buffetings of fortune, still remains in their hands.

In foreign trade, Dutch Guiana compares only passably with regions similarly situated. It was formerly the most prosperous of the Guianas, but has now fallen far behind the British colony. The foreign trade is approximately half that of British Guiana and considerably less than half that of Costa Rica.[1] The chief exports in the order of importance are balata, sugar, gold and cocoa. Rice is not reported among the exports,

[1] *Commercial Relations of the United States*, 1911, Bureau of Foreign and Domestic Commerce, Washington, 1913, p. 109 *et seq.*, gives the value of the foreign trade in 1911 as $6,990,101.

and bananas are still an unimportant factor in the foreign trade, though the country is eminently fitted to produce both. Sugar production has declined; it was formerly the mainstay of the colony, but only five plantations are reported as being worked in 1912.[1] Sugar, alone, in British Guiana is now practically equal in value to the entire import and export trade of the Dutch colony. Like the French colony, Dutch Guiana is a drain on the home treasury, the deficit amounting to about a million guilders annually.[2]

The only other Dutch possession in America is the colony of Curaçao and its dependencies, Aruba and Bonaire. Especially since the abolition of slave labor, they have suffered from all the adversities which have at various times affected the West Indian region and, barring unforeseen developments, their resources are so meager and they lie so much to the side of the main routes of trade that their future holds only modest promise.

So far as they depend upon natural resources, the islands are poor indeed.[3] Lying off the Venezuelan coast, they struggle against an oppressive climate. Their principal commercial interest, the transshipment of goods destined to Venezuela, is dependent upon public order in that much disturbed republic and upon its friendliness, which has been conspicuous in recent years by its absence. Small in size—no point is more than

[1] Rodway, James, *Guiana*, London, 1912, p. 171.

[2] Rodway, James, op. cit., p. 47.

[3] *Commerce Reports*, Supplement, April 29, 1915. The colony of Curaçao includes also Saba and St. Eustatius.

four miles from the sea—the best soil is gradually being blown away by the trade winds or washed into the sea by heavy rains.

In 1914, the sea was discolored six miles from the coast by the flooding off of the most valuable portion of the islands' surface. Though their fertility is diminishing, fertilizers—guano and phosphate—are exported. A crop in four years is about the average, and cornmeal, the principal food of the common people, has to be purchased in the United States.[1] Even under these adverse circumstances, however, the little group of islands makes a very creditable showing compared to the mainland colony.[2] First among the exports are straw hats, constituting one-third of the total. On the making of these hats, indeed, a large proportion of the people depend for their livelihood.

The government is making strenuous efforts to restore the prosperity of the colony, especially by the introduction of sisal culture, but the task is a hard one. Local industry contributes little. The salt industry—Curaçao salt like that from Turks Islands once commanded the top of the market—has suffered an almost complete collapse. It needs no argument to prove that there is no great future for a colony which is without position of great advantage and whose chief products, besides the hats, fertilizers and salt already mentioned, are goatskins, divi-divi and aloes.

The Dutch policy toward the West Indian colonies is

[1] *Daily Consular and Trade Reports,* April 20, 1914.

[2] *Commerce Reports,* Supplement, July 1, 1915. The foreign trade in 1913 reached a total of $2,830,575.

not one which attempts to confine colonial trade to national limits. This has brought by far the larger portion of the foreign trade to American ports and principally to the United States. In Dutch Guiana,[1] more than one-fourth of the imports come from the United States, including practically all of the breadstuffs, fish, meats, and petroleum, and more than one-third of the exports were sent there. The latter included one-fifth of the balata, the chief export, one-half of the sugar, the second in importance, and practically all of the cocoa and coffee sent abroad. From the Curaçao group we take over half of the exports, the main item being straw hats, and we send there over half of the imports, including practically the entire shipment of foodstuffs, meats, petroleum and coal.[2]

### THE DANISH COLONIES

The Danish West Indies are an accident. That this country, long unmilitary, with only a minor share in the commerce of the region, should keep what has been called the "Gibraltar of the West Indies," finely located as to the chief trade routes, is one of the seeming contradictions of history.

The size and character of the Danish islands make them of negligible value for their own products, but their position has made them more than once highly desired, especially by the United States. Negotiations have twice been close to an end, by which their control

[1] *Commerce Reports*, Supplement, April 29, 1915, for import trade, and *Commercial Relations*, 1911, Washington, 1913.

[2] *Commerce Reports*, Supplement, July 1, 1915.

would have been transferred to that Government when unexpected complications prevented. The desire to possess them will doubtless increase as the meaning of the Panama Canal and the importance of its defense come to be realized by the United States. That any of the West Indies will again become places from which blockade-runners may operate to enter its ports, closed to commerce by its own fleet, is fortunately no longer conceivable. But quite aside from military operations proper, the control of so central a port by a distant power, which maintains hardly more than a nominal government, is undesirable. The increasing police duties in the Caribbean region, which the United States has assumed since the beginning of the twentieth century, give it an unusual interest in any port which may be used as a station for the fitting out of filibustering expeditions against the neighboring none too stable republics. This character has too often been that of the Danish islands. From a military and naval point of view they are valuable because of the possibility of fortifying the harbor of St. Thomas and because that landlocked port can, by dredging, it is said, be made by far the best anchorage for ships in the eastern West Indies. For the same reason, its possession is important for the facilities afforded peaceful commerce, though in recent years, the harbor being unimproved, the large ocean liners have touched at the port infrequently. A German line is a partial exception; indeed, as has often been facetiously remarked, the islands are largely a possession, not of Denmark, but of the Hamburg-American Steamship Company.

The local trade is, of course, insignificant. The population is predominantly black. Their wants are few and the state of cultivation of the land is low. St. Thomas is not agricultural. Its shallow soil and droughts make cultivation impractical. There are a few gardens in the island but the only product of commercial importance is bay rum, of which the three islands together sell about $90,000 worth annually. The neighboring St. John is now practically deserted to the blacks, and its intercourse with the outside world is negligible. Some bay oil is harvested and an effort is being made to introduce the cultivation of lime trees with the hope that the experience in the British Dominica may be repeated.

St. Croix, the largest and in natural resources the richest of the islands, has an area of some seventy-four square miles. It has a larger white population and is practically monopolized by the sugar industry.[1]

No records of exports are kept by the halting colonial government. Imports enter through the port of St. Thomas, and nearly two-thirds come from the United States. Practically the entire American trade is in coal, used to supply steamships, and foodstuffs. Great Britain takes second place in the foreign commerce. The trade with the home country is insignificant. The generally unprosperous commercial condition of the Danish Antilles is reflected also in the statistics of pop-

[1] Good discussions of the trade of the Danish West Indies are found in *Daily Consular and Trade Reports*, Feb. 13, 1912; March 11, 1914. Also in *Commerce Reports*, Supplement, October 29, 1915.

ulation. In 1835, over 43,000 people made their homes in the islands, but the number steadily fell to 31,000 in 1901, the year of the last census, and in 1915 was reported as 28,000. The colony is, however, said to be at present financially self-sustaining.

Taken as a whole, the minor colonial possessions in the Caribbean are a liability to their owners, not an asset. They are kept more for sentimental reasons than because of their present or prospective value. Their dependence upon the United States for a market for their products is conclusively shown by their trade returns, except where, as in the case of the French colonies, tariff arrangements deflect the normal course of trade. For their imports they rely even more on the northern republic. So decidedly is this the case that even the French tariff policy is modified so as to allow American goods to enter to keep down the cost of living.

Without low tariffs on American imports and favorable tariffs in America on their exported products, the condition of these islands would become deplorable indeed. Probably in none of the political units of the West Indies does the prosperity of the people depend so much on the good will of the American Congress.[1]

[1] See article by Gaston Sarlat, formerly deputy from Guadeloupe, advocating closer commercial relations with the United States and complaining against the disappointing efforts which have been made since 1870 to improve the condition of the French West Indies, quoted in *Daily Consular and Trade Reports*, Dec. 6, 1913.

# CHAPTER VI

## CUBA AND ITS RELATIONS TO THE UNITED STATES

### I. POLITICAL

PREËMINENT among the islands of the Caribbean is Cuba. The most prized of the Spanish possessions after the revolt of the colonies in South and Central America, it became an independent republic as a result of the treaty of peace of December 10, 1898, at the end of the Spanish-American War. Since then, in spite of local disturbances, it has risen to a position relatively much more important in the Caribbean than it ever held under the Spanish régime. The advance which has come is due not only to the natural resources of the country, but also to the peculiar political arrangements entered into only half willingly by the local government.

During the negotiation of the treaty of peace, Spain had expressed her fear that left to itself the island might become Africanized. The examples of the Dominican Republic and Haiti aroused fears that Cuba independent might be a prey to frequent revolutions with the result that neither property nor personal rights would be protected. To save the island from the consequences of a "premature" independence, Spain wished to have the United States keep at least a degree of control sufficient to insure order. No express engagement on this

point appears in the treaty. The property rights of residents of Cuba, it was declared, would not be impaired and the United States, so long as its occupation lasted, undertook "to assume and discharge the obligations that may, under international law, result from the fact of its occupation for the protection of life and property."

*The subsequent action of the United States showed,* however, that there was no intent on its part to allow international complications to arise through a disturbance of local order in the island. While the provisional government created by the United States was still in control, a convention met on November 5, 1900, to draft a constitution for the new republic. It was adopted on February 21, 1901. It included no recognition of supervisory powers of the United States.

In this situation Congress felt called upon to act. A provision was inserted in the Army Appropriation bill of March 2, 1901, which has since become known as the Platt Amendment, the terms of which outlined the conditions under which Congress authorized the President to withdraw the American troops and "leave the government and control of the island to its people." Cuba was to adopt a constitution, one clause of which should bind the nation to conclude with the United States a treaty including the following agreements that,

1. No treaty was to be made which would impair the island's independence, nor was any portion of the island to be allowed to pass under the control of a foreign power.

2. No debt should be contracted or assumed beyond the ability of the island to pay.

3. The United States was to have the right to intervene to protect Cuban independence, to maintain a government which would protect life, liberty, and property and carry out the obligations undertaken by the United States in its treaty with Spain.

Other engagements referred to ratification of acts taken by the United States during temporary occupation, the sanitation of the island, the status of the Isle of Pines and the cession of land for coaling or naval stations.[1] On June 12, 1901, Cuba accepted this modification of her international position by embodying the resolution of Congress in Article 3 of the constitution and the agreement was further solemnized by being incorporated in a convention between the United States and Cuba proclaimed July 2, 1904.

The right to intervene to preserve order has not proven to be unnecessary. The first President, Thomas Estrada Palma, was chosen at an election held December 31, 1901, and inaugurated May 20, 1902. For the first three years of his term he favored no one of the three parties struggling for control. Patronage was distributed ratably among them and though there was constant complaint of executive interference, public order was kept. At the elections of 1905, however, widespread corruption occurred and a revolution was soon under way. Palma was unable to cope with the uprising and appealed to the United States to intervene under the addendum to the constitution above mentioned.

[1] *U. S. Statutes at Large*, XXXI, 897-8.

President Roosevelt sent William H. Taft, then Secretary of War, and Robert Bacon, the Assistant Secretary of State, to Cuba to restore order. On their arrival, Palma resigned. The Congress dissolved without filling the office and President Roosevelt thereupon appointed Mr. Taft provisional governor.

The American control, thus reëstablished, lasted until 1908, when a new election having been held, resulting in the choice of José Miguel Gomez as President, the United States again withdrew. There followed a period of comparative quiet, the first serious interruption of which came in a revolution in 1912, headed by General Evaristo Estenoz, the leader of the negro party. For a time a third occupation by the United States appeared imminent, and a fleet of eight cruisers was sent to Key West to be ready for emergencies. The local government finally succeeded, however, in overcoming the insurrectos and in the election of November first of that year, Mario Menocal, the candidate of the conservatives, was chosen President. For the first time Cuba had succeeded in peacefully transferring control of the presidency from one party to the other.

Whether the Cuban people possess or can develop the degree of self-control necessary for self-government is still, in view of recent history, an open question. Extravagance in expenditure and willingness to consider the holding of public office as an opportunity for taking selfish advantages, rather than as a call to service, have been far too prominent characteristics of Cuban politics. Disputes over the patronage have been incessant; the public debt has risen constantly. Starting prac-

tically debt free, the public obligations reached $62,083,100, in 1911, before the end of a decade of local control. In 1914, the total was $67,620,000. This does not represent a burdensome debt. With the rapidly increasing economic strength of the island it can be easily borne. But the purposes for which the debt was created are significant. Judged by the actual return to the people, which was made possible by the loans, there appears to be still considerable doubt whether Cuba will be able to prove herself beyond the need of guidance by stronger powers in financial affairs.

Even considered apart from the general Caribbean situation, Cuba is important to the United States, not only because of this responsibility assumed to assure public order in the island. There are with the "Pearl of the Antilles," in addition, important military and commercial connections.

The operations of the Spanish-American War had again demonstrated what long had been evident to those at all familiar with our naval affairs—the desirability of acquiring for the United States at least one naval base in the West Indies. Former negotiations, especially with Denmark and the Dominican Republic, had for various reasons been fruitless. One of the clauses of the Platt Amendment had provided,

"That to enable the United States to maintain the independence of Cuba and to protect the people thereof as well as for its own defense, the government of Cuba will sell or lease to the United States lands necessary for coaling or naval stations at certain specified points, to be agreed upon with the President of the United

States." An agreement to carry out this engagement was signed by the President of Cuba February 16, 1903, and by the President of the United States on February 23 of the same year. By its terms harbors and lands adjacent were given over to the United States for a coaling and naval station, in Guantanamo in eastern Cuba and at Bahia Honda in northwestern Cuba.[1] The ultimate sovereignty of Cuba continues. By a later agreement, the United States undertakes to pay an annual rental of $2,000 so long as the areas are occupied by its forces.[2] The rights of the United States in Bahia Honda were surrendered in 1912 and the area under its control in Guantanamo was increased. These settlements are of great importance in that, now in possession of Porto Rico and with a strong naval base in Cuba, the United States is in an exceptionally advantageous position to carry out the obligations it has assumed for the preservation of order in the Caribbean, and occupies a commanding position on the trade routes which pass to the Panama Canal.

### II. COMMERCIAL

Both in the United States and Cuba there has developed a desire to bind the two countries closely together in their trade relations. Commercially, the island is naturally dependent upon its northern neighbor. That its products did not seek our ports in much

[1] Malloy, W. M. *Treaties, Conventions, International Acts, Protocols and Agreements between the United States and Other Powers,* Vol. I, p. 358.

[2] *Ibid.,* p. 360.

greater quantities even before the island secured its independence was due only to the tariff policy of Spain. The investments of our citizens in Cuba and the commerce which had been built up with the island in the later years of Spanish control were influences which increased American interest in the island's struggle for independence. In 1903, a treaty was negotiated with the island government which bound it even more closely to the United States than would have been the case because of its location and the character of its products. The agreement provides for mutual concessions in tariff rates. There is a free list for both countries; all Cuban products not on the free list are to be admitted at a reduction of 20 per cent. from the American tariff rates and articles from the United States enter Cuba at reductions varying from twenty to forty per cent.

In size, population, amount of foreign capital invested, foreign trade, and in possibilities for future development Cuba outranks all other communities or islands in the Caribbean region. Its area, 43,000 square miles, and its population, 2,474,000, are about equal to those of Tennessee. To compare it to Caribbean units, its population is about equal to that of Haiti and the Dominican Republic together and about twice that of Porto Rico. The average density of population is less than sixty per square mile. There is, therefore, ample room for further growth. Like Porto Rico, but unlike other Caribbean divisions, the population is largely of white blood. The census of 1907 reported 1,428,176, or 69.7 per cent., of the population as white, while the negroes number 274,272, mixed 334,695, and Chinese

11,837. Among the whites there were 203,637 foreign born, of whom 185,393 were Spanish and 6,713 from the United States. From such a community much may be expected. Though the climate may limit the sort of labor that may be secured, this is not like Jamaica or Haiti, a black man's country. The racial composition of the population as between white and black compares favorably with that of some of the southern commonwealths of the United States. The proportion of non-white blood is about the same as in North Carolina and much less than in Alabama, Florida, Georgia, Louisiana or Mississippi. The white element in Cuba and in the southern United States is itself, of course, of radically different stock, but the performance of the Cuban people in the last decade and a half shows characteristics which, so far as economic advance is concerned, are decidedly encouraging. There is no more heartening evidence of what the Spanish-American can do in a semitropical climate than that offered by Cuba.

It is when we turn to the figures of recent trade development that the importance of Cuba is impressed upon us most vividly. In 1896, the year after the insurrection against the mother country broke out, our exchanges already reached a value of over forty-seven and a half million dollars. In 1898, the year of the war, they fell to less than twenty-five million. Thereafter, both imports and exports grew steadily; in 1901, they totaled over $69,000,000. After the commercial treaty of 1903 an even greater portion of the foreign trade sought and came from United States ports. It was valued at over $120,000,000 in 1908, and at over

$182,000,000 in spite of local disturbances in 1912. In 1914, it reached $200,188,222.

How important the island has become as an element in the trade of the United States is shown in the following table.

| Imports into the United States *For the Year Ending June 30, 1914*[1] | | Exports from the United States *For the Year Ending June 30, 1914* | |
|---|---|---|---|
| United Kingdom | $248,089,913 | United Kingdom | $548,641,399 |
| Germany | 189,919,136 | Germany | 344,794,276 |
| Canada | 160,689,709 | Canada | 344,716,981 |
| France | 144,446,252 | France | 159,818,924 |
| Cuba | 131,303,794 | The Netherlands | 112,215,673 |
| | | Cuba | 68,884,428 |

[1] Compiled from *Statistical Abstract of the United States, 1914*, Washington, 1915.

Cuba thus ranked fifth among all countries from which the United States imported goods and took sixth place among her customers. Cuban trade with the United States amounted to twice that with Belgium, to almost four times that with Spain or with Russia in Europe, to almost eight times that with Sweden. Compared to other Caribbean regions this trade total makes the importance of Cuba even more striking. Cuba's trade with the United States is about seven times as great as that of the Central American states and thirteen times as great as that of Haiti and the Dominican Republic, in spite of the dominant position the country holds in the markets of these regions.

The greatest increase in the economic importance of Cuba has come recently. Only Mexico has shown a comparable advance. The chief causes of the change have been the establishment of greater security for property following the Spanish-American War and the resulting increase in the investments of foreign capital.

After the war, conditions changed rapidly; imports grew, especially under the demand which the new possibilities of development brought for the extension of industry. Exports rose through the reëstablishment and enlargement of the sugar and tobacco plantations.

Like other countries of the West Indies, Cuba is almost exclusively dependent upon the products of her soil. Her chief exports, sugar and tobacco products, are, it is true, sent abroad, in great part, in at least a partially manufactured condition. Still it is true of Cuba, as of the other islands, that there is no diversified industry as a basis of the export trade. The government rests on an economic organization which involves for the average workman only a low degree of expertness and the proportion of value produced by skilled labor is relatively small.

In sugar production Cuba is fortunate in that cane can be grown over wide areas. All the provinces are important producers. As late as 1909 the most important sugar provinces were Santa Clara and Matanzas in the west central portion of the island, but recent developments have shown the greatest increases in the extreme eastern province of Oriente, which promises to become as famous as a sugar-producing district as Pinar del Rio and Habana at the western end are for their tobacco.

Foreign capital for investment in the sugar industry has come to the province in large amounts in recent years, especially from the United States. The acreage has been rapidly extended, irrigation and improved methods of culture have been introduced. As a result,

the yield increased almost a hundred per cent. in the five years preceding 1913. Ten years before the province produced only one-tenth of the sugar of the island, but in 1911-12 it produced 29 per cent. of the sugar and over 25 per cent. of the molasses.[1]

The increase of sugar production in the entire island was especially marked after the commercial treaty of 1903 with the United States. An American consular representative in a report for June 10, 1912, declared that since the passage of the reciprocity treaty "Cuba has entered upon a period of development that has exceeded the predictions of the most optimistic. . . . So great has been this recent development that it can safely be said that if the present activity continues Cuba will be in a fair way of becoming the largest producer of sugar in the world."[2] Another influence which increased the investment in the sugar industry was the abolition of the practice of granting export bounties for the production of sugar in European countries, a result following the Brussels Convention of 1903.[3] As a result of these influences about seven out of every eight pounds of sugar produced, and about fourteen out of every fifteen pounds exported from Cuba now go to the United States.[4]

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[1] *Daily Consular and Trade Reports,* October 16, 1913.

[2] *Consular Reports,* Special Agents Series, Department of Commerce and Labor, 61, p. 16, 1912. *Cuba as a Buyer and Seller,* by A. G. Robinson.

[3] See, for a discussion of the production of beet and cane sugar, T. G. Palmer, *Sugar at a Glance,* Senate Doc. 890, 62nd Cong. 2d Sess. Washington, 1912.

[4] *Commerce Reports,* September 29, 1915. The total crude

Up to the passage of the Underwood-Simmons Tariff, by which sugar is to be transferred to the free list, Cuba had an advantage over other foreign countries in that under the commercial convention with the United States her sugar enjoyed a twenty per cent. reduction from our regular tariff rates. On the other hand, her sugar growers were not then in as advantageous a position as the producers of domestic cane and beet sugar, nor did they compete on equal terms with the growers of cane sugar in Hawaii, Porto Rico and the Philippines. These other groups together produced approximately half of the sugar consumed in the United States. Whether the advantage of treatment equal to that of our own sugar growers will overcome the disadvantage of the abolition of preference over other foreign nations is yet to be demonstrated.

In the popular mind Cuba is connected with tobacco production rather than sugar. Though recent developments have shown that the future prosperity of the island will probably be dependent on the latter, tobacco still holds among the exports a position only second in importance. The high quality of the better grades of Cuban leaf seems to assure that it will remain the standard of comparison. But just as the cane sugar industry has had to compete with a rapidly rising output of beet sugar, so Cuban tobacco finds its market disputed by a widespread development of tobacco culture in other parts of the world.

The Cuban tobacco industry is prosperous, but com-

sugar exportation of Cuba in 1913-14 was 2,597,732 long tons, of which 2,454,334 tons were exported.

pared to sugar growing it has enjoyed only a moderate increase. The product holds its market rather by virtue of superior quality than on account of its low cost of production.

In 1899, Cuban tobacco was exported to the value of $21,000,000. This was at a period when its cultivation had not yet fully recovered from the disastrous effects of the revolution and the Spanish-American War, but the value of the crop compared favorably with its value under Spain. When the reciprocity agreement of 1903 with the United States went into effect the tobacco growers felt its influence less than the cane-sugar producers. They increased the area under cultivation where that was possible and strove to raise the standard of their tobaccos. It was in this period that shade-grown tobaccos began to take an important place in the market. The value of the tobacco crop rose until the political disturbances of 1906-7, when the upsetting of the economic conditions in the island brought a drop in a single year from $31,286,000 to $20,931,000. With the reëstablishment of order came another revival which continued until the outbreak of the European War.[1] Between one-half and two-thirds of the tobacco exports in normal years go to the United States.

The products exported from Cuba, other than sugar and tobacco, are, compared to these items, unimportant. The fruit trade, still in its infancy, shows promise of

[1] *Commerce Reports*, September 27, 1915. The exports of tobacco products for the year ending June 30, 1914, reached a value of $32,166,192. In the next year, due to the effects of the European War, it fell to $21,976,650.

healthy development. Bananas for home consumption are grown over the entire island, but are exported only from the north coast at the extreme eastern end where soil and climate are especially favorable.[1] Coconuts are exported from the same district. The citrus-fruit industry is increasing in importance, but grapefruit is the only product of this sort which has as yet become important in foreign trade. Coffee plantations, formerly prosperous, were destroyed in the revolt of 1868-78 and attempts of the government to rehabilitate the industry have thus far resulted only in production for local use. Large quantities are still imported, especially from Porto Rico. Cacao production is increasing but is not yet large in amount. Mineral and forest products, though entering into foreign commerce in greater actual amount than in many of the other West Indies, are of minor importance compared to the great staples mentioned.

A more striking illustration of dependence upon a few crops, when the importance of the island and the number of its population are considered, can hardly be found in the entire Caribbean. On the average over ninety per cent. of Cuban export trade is in sugar and tobacco, the former making up over two-thirds of the total value of goods sent abroad. It is no wonder sugar controls both domestic and foreign policy in Cuba. It has become the basis of the greatest economic interest in the country and, in great part, upon the progress of

Both absolutely and relatively the importance of sugar in Cuba has increased remarkably in recent years. While some of the West Indian colonies have found their sugar estates declining or, at most, enjoying but a moderate prosperity, foreign capital has been rushing into sugar production in Cuba at an unprecedented rate. A large number of factors have contributed to this development. Peace, coming after the protracted revolt against Spain, and the Spanish-American War, of itself, encouraged investment to supply the rapidly increasing world demand. The stability in the world market for sugar, restored by the Brussels convention, made sugar-raising an industry in which conservative investment was again possible. More important than these were probably the political arrangements made by the republic which placed it in a peculiar position in relation to the United States. The Platt Amendment assured capital that the disturbance of business, so frequent before because of local unrest, would be reduced to a minimum. Not least in importance was the commercial treaty of 1903 with the United States. The island's natural market, from the geographical viewpoint, was thus by political arrangements opened to her on conditions which accentuated the advantage enjoyed by position. These conditions have brought marked changes in the relative importance of Cuban industries.

In 1899, the first year after Spanish control had been eliminated, the chief exported products, as in the period preceding, were tobacco and sugar. The former was shipped abroad to the value of $21,000,000 and constituted 42 per cent. of the total; of the latter $18,000,000

worth were exported, making 38 per cent. of the total. The following years brought a reversal of these conditions. Tobacco fell in relative importance. The degree to which it has now come to occupy an inferior position and the degree to which, in general, the life of the island depends upon its agricultural industries is indicated by the following table.

PERCENTAGES OF CERTAIN PRODUCTS IN CUBAN EXPORT TRADE—1910–14[1]

| | 1910 | 1911 | 1912 | 1913 | 1914 |
|---|---|---|---|---|---|
| Sugar and products | 73 21 | 64 00 | 71 58 | 71 65 | 77 00 |
| Tobacco products | 18 52 | 25 95 | 20 43 | 19 20 | 16.00 |
| Mineral products | 2 90 | 3 01 | 2 64 | 3 11 | 2 50 |
| Fruits and vegetables | 1 70 | 2 14 | 1 62 | 1 95 | 2 60 |
| Forest products | 1 13 | 1.74 | 1 34 | 1 20 | .10 |
| Animal products | 1 34 | 1 56 | 1 19 | 1.57 | 1 68 |
| Marine products | .26 | .25 | .20 | .23 | .02 |
| Miscellaneous | 94 | 1 35 | 1 00 | 1.09 | .10 |
| | 100 | 100 | 100 | 100 | 100 |

[1] Table compiled from *Daily Consular and Trade Reports*, May 8, 1913, and Aug. 6, 1913, figures for 1910, 1911 and 1912; and from *Commerce Reports*, Supplement, May 10, 1915, for 1913 and 1914.

Like other West Indian islands, though Cuba's chief products are foodstuffs, she imports a comparatively large part of the products which are relied upon to sustain human life. Her dependence upon a few staple exports is no more remarkable than that upon imports to feed and clothe her people. About two-fifths of her imports are foodstuffs, and one-seventh textiles and manufactures from them. The industrial developments going on in the island raise the proportion of machinery, metal manufactures and chemicals far above the average for the Caribbean region. Still, the materials imported are usually in a form ready for consumption and

the Cuban home industries take no large amount of goods for further manufacture. The standard of life is comparatively low, and though the foreign trade has in the last decade shown a remarkable growth, Cuba is not even now a country with a widely expansible market.

Especially in Cuba's export trade the United States holds a dominant position. Of the entire exports the United States takes now about four-fifths.[1] Our relation to Cuban export trade is thus summarized in a recent report to the United States Government. "Aside from Cuban cigars and tobacco, which the world demands and obtains despite American necessities or the market, and raw sugar, which England often buys in view of European market conditions, practically all of the exports go to the United States." [2]

Of the import trade the United States furnishes between fifty and sixty per cent. What does not come from the United States has been characterized as "business not obtainable on account of natural conditions." [3]

Evidently, the United States occupies a position in Cuban trade which makes the commercial relations with the great republic most important of all Cuban foreign interests. In exports it controls more than four times the amount taken by all the rest of the world combined,

[1] *Commerce Reports*, Supplement, May 10, 1915, shows that the United States took 80 per cent. of the exports in 1913 and 83.14 per cent. in 1914. In the latter year the declared value of exports to the United States was $148,263,623, of which sugar and its products accounted for $117,828,568, tobacco and tobacco products for $17,514,085.

[2] *Commerce Reports*, Supplement, May 10, 1915.

[3] *Daily Consular and Trade Reports*, May 8, 1913.

the other countries in the order of importance being the United Kingdom, Germany, and France. In imports its position is not so commanding, but it sends to Cuba goods of greater value than all the rest of the world together, the other countries of rank being the United Kingdom, Spain, Germany and France.

## CHAPTER VII

### THE REGENERATION OF PORTO RICO

NONE of the developments in the Caribbean in the last decade is more striking than the changes which have occurred in Porto Rico. None of the political experiments of the United States has proved more successful. To be sure, the conditions which confronted us on assuming control were exceptional in the West Indies, and in reviewing what has been done, we must not lose sight of the fact that the opportunity was quite as unique as has been the use made of it. Most important among favorable conditions was the large percentage of people of white blood among the population. The census, taken under the direction of the Secretary of War in 1899, showed that of the total of 953,243 persons in the islands, 589,426, or approximately two-thirds, were listed as white; 304,352 were mestizos, 59,390 were negroes, and 75 Chinese. This was evidently a population from which much more could be expected than would have been the case had the colored races predominated. A comparison with Jamaica suggests itself. In area, Jamaica, with 4,200 square miles, compares favorably with Porto Rico, with 3,606 square miles. The population of the former in 1911 was 831,383, of the latter in 1910 was 1,118,012. But the racial composition of the two islands shows a strong contrast. In

Porto Rico, about two-thirds are white, one-fifteenth negroes, and the rest mestizos. In Jamaica, one fifty-third are white, about three-fourths are negroes and nearly one-fourth are "colored," East Indians, or Chinese. In other words, in Porto Rico there are two people of white skins to one of colored or black; in Jamaica, there is one white man to every fifty-two colored or black.

Another advantage of Porto Rico is the high average fertility of the island which enables the maintenance of a dense population on what, for the Caribbean, is a comparatively high standard of life. Americans find it hard to believe that Porto Rico, with 325.5 persons to the square mile, is, with the exception of Rhode Island, Massachusetts, and New Jersey, the most thickly populated of all our states and territories. Unlike these states, the high population per square mile is not explained by the presence of large cities, for while the people of Rhode Island, for example, are 96.7 per cent. urban, that is, dwellers in cities of 2,500 inhabitants or more, the people of Porto Rico are 79.9 per cent. rural.

But, even with these advantages, what Porto Rico has done is exceptional. The commercial performance of these people in their narrow quarters in the last fifteen years should make us revise our current ideas as to the possible productiveness of tropical colonies. The development of Porto Rico was and still is agricultural, in fact there seems to be small likelihood of the discovery of any great mineral resources, and manufactures are not important. Even the simple industries which do exist, tobacco manufacture, hat making, fruit canning and linen embroidery, are dependent, with the exception

of the last, on agriculture. The island, like the rest of the West Indies, is destined for years to come to be dependent for its manufactured products upon other countries and must pay for them in agricultural products, chiefly sugar, tobacco, coffee and fruit.

To the general rule that the West Indian communities produce few, but distinctive crops, Porto Rico is no exception. During the Spanish régime it was a coffee island. But the days when Porto Rico's chief product was coffee have passed, probably never to return. The new American régime has meant favorable tariff rates to the United States, the abolition of repressive taxation, the establishment of order and, most important, the willingness of capital to enter the country to develop the resources. The old sugar estates with their wasteful mills run by mule power or windmills and their open evaporating pans are disappearing all over the West Indies, and in Porto Rico the typical sugar factory is now operated with steam machinery and the sugar is produced by the vacuum-pan process. Sugar has replaced coffee as the chief source of wealth. Under the influence of the conditions created by American occupation the sugar exports of the island have risen remarkably. Sugar exported in 1901 was worth $8,583,967; in 1912, $49,705,413. The average exportation now is six times what it was in the ten years preceding annexation. Due to favorable tariff rates, practically all of Porto Rican sugar has heretofore come to the United States.[1]

[1] *Commerce Reports*, May 25, 1915. In 1914, we took 641,755,000 pounds valued at $21,000,000.

The second place among Porto Rican products is now taken by tobacco. This crop has also increased remarkably during American occupation. Exports of cigars and cheroots are nineteen times as great as in 1901. Leaf and scrap tobaccos are exported now to a value over eight times that reached fifteen years ago. There has been a great growth also in the manufacture of cigarettes, but all but a negligible amount are consumed locally.

The improvement has been not only in quantity but in quality. Shade-grown tobacco, grown under immense stretches of cheese cloth, was practically unknown till the introduction of scientific study of the artificial means of modifying the strength of the leaf and the flavor of the product. This came only with American control. The value of tobacco exports as a whole has through these means risen from about $700,000 in 1901 to about $9,000,000 in 1914. Of this the United States now takes practically the total amount.

The rise of the tobacco crop has now pushed coffee back to third place among the island's products. In this result the loss of the protected markets in Spain and Cuba has had an influence since the tariff policy of the United States has not yielded an equivalent advantage on this article. In addition, the increase in Brazilian production has cut down the market of the more expensive Porto Rican article even though the grade of the latter is superior. There is, however, a steady rise in the absolute amount of coffee produced, and it now reaches more than 70 per cent. of the highest

total ever attained under Spain.[1] The United States does not hold a position as a market for Porto Rican coffee similar to that in sugar and tobacco. In fact, it may be said that Porto Rico's exports to foreign countries are almost entirely coffee and that almost all the coffee, until recently, has gone to foreign countries.[2]

A fourth group of island exports which is destined to have an increasing importance in its economic life is its fruit products, especially bananas, oranges, pineapples and grapefruit. Like the tobacco and sugar, practically all of the fruit is exported to the United States.[3]

The new prosperity which came to our West Indian colony is naturally reflected in the import as well as in the export trade. Like other divisions in that region of the world, the island is a non-manufacturing community. It sends its agricultural products abroad and buys its manufactured goods and, to a large extent, its food products. The total imports rose from $8,918,136 in 1901 to almost $43,000,000 in 1912. Later years make a slightly less favorable showing. The chief articles in the order of importance are cotton goods, rice, iron and steel, and meat and dairy products. Prac-

[1] Coffee production has risen less rapidly than sugar and tobacco but its value increased from $3,500,000 in 1906 to $7,000,000 in recent years.

[2] In the year ending December 30, 1912, we imported only $78,099 worth from the island. Since then the amount has shown a tendency to rise. In 1914, we took a total value of $375,718.

[3] In 1901 these reach a total export value of $109,801, while in the calendar year of 1914 we took in the United States $3,298,823 worth, an increase in twelve years of about thirty-fold. Fresh pineapples, alone, were imported in 1914 to the value of $1,300,000, an increase of half a million dollars over 1912.

tically the entire trade in the first three groups and seven-eighths of the last is absorbed by the United States. In normal years 90 per cent. of Porto Rican imports come from the United States.

This is a natural result of the favored tariff position occupied by the new mother country, but the contrast in total amount indicates also the tremendous influence the new régime has brought to bear upon the standard of life of the people of the island. There is "a decided upward movement in the social life of the people. More food and better food is wanted and is bought; more and better clothing is wanted and is bought; and there is marked increase in the trade in so-called luxuries." [1] A comparison of Porto Rico with other countries shows its importance in our export trade, especially our export of manufactures. We ship her more dyed and colored cloths than to Asia, Africa, South America, and Europe combined. We ship her rice to an amount almost three times as great as that shipped to all the rest of the world. We ship her 50,000,000 pounds of pickled pork, about one-third of our entire export.

The total trade of the island with other countries in 1914 averaged $65 per capita. Its amount was $79,509,549, of which $67,091,548 was with the United States. In other words, our trade with Porto Rico was two and a half times greater in value than that with Switzerland, and half again as important as the

[1] Robinson, A. G. *Commerce and Industries of Alaska, Hawaii, Porto Rico and the Philippine Islands*, p. 74, Washington, 1913. See also Report of the Governor of Porto Rico, 1913, and *Statistical Abstract of the United States, 1914*, Washington, 1915, p. 487.

trade with Austria-Hungary or with all of Africa.

Porto Rico and the United States have indeed come to be part of an economic unit as well as a political one. The United States took less than a sixth of the exports in 1897; it now takes four-fifths; it furnished a fifth of the imports in 1897 and nine-tenths of the total at present. So important had Porto Rican trade become to the United States, in fact, that only eleven countries of the world supplied more merchandise to the United States in 1913. This growth has turned an adverse balance of trade for the island in 1901 and 1902 into a favorable one amounting recently to about $12,000,000.

Of course what has happened in Porto Rico is no conclusive indication of the changes which would occur if the sovereignty of the United States were extended to any other tropical community. Porto Rican resources and Porto Rican population are exceptional. But for all West Indian communities closer tariff relations with the United States could hardly fail to have a favorable influence on their development. This they all realize. The recognition of the fact in the colonial communities is elsewhere discussed. Political arrangements which would identify their tariff interests with those of the United States could hardly fail to bring improvement in their economic condition.

For the independent nations of the Caribbean region also closer relations with their northern neighbor would work to their advantage, and this not only because of the immediate advantage in trade. The remarkable performance of Porto Rico is due quite as much to assurance of order, the security of life, liberty and prop-

erty, which American influence has brought, as to the commercial preferences it enjoys. Public order is an essential condition for economic development. Without it capital forsakes a community, the laboring man cannot be sure of employment and the impulse to save for a rainy day disappears. Without the Platt Amendment, under which the United States assures order in Cuba, that island would be much nearer the conditions under which it lived before 1898 than it is today. Without the Customs Convention of 1905-7, Dominican trade and internal development would have continued to lag as they did in the previous decade. These Cuban and Dominican agreements are imperfect guaranties of order, it is true, as is shown by the interventions which have proved necessary under them. But they are steps toward an increasing recognition that order is essential to progress. They witness the fact that closer relations, both commercial and political, with the United States will contribute solid advantages to both parties to the agreement. Whether the "big brother" relation develops into real membership in the same political family is comparatively unimportant, but the object lesson of Porto Rican development cannot fail to make a deep impression on all West Indian peoples.[1]

[1] Recent discussions of Porto Rican commercial conditions are *Commerce Reports,* May 25, 1915; Aug. 4, 1915; and A. G. Robinson, *Commerce and Industries of Alaska, Hawaii, Porto Rico, and the Philippine Islands,* Department of Commerce and Labor, Special Agents Series, No. 67, Washington, 1913.

Late trade returns are found in *Monthly Summary of the Foreign Commerce of the United States,* Washington.

# CHAPTER VIII

## OUR RESPONSIBILITIES IN THE DOMINICAN REPUBLIC

### I. POLITICAL

Not more than two days' sail from the continental territory of the United States, and so close to Porto Rico that small boats pass from one island to another with ease, lies the island of San Domingo. This territory has probably staged more revolutions of the "soldier of fortune" type than any similar area in the world. Its two republics, Haiti in the western third of the island, and the Dominican Republic, popularly known as San Domingo, in the eastern two-thirds, have been ever since the winning of their independence little "republican" cauldrons, in which revolutions were constantly boiling, or little despotisms, in which black Napoleons crushed out all disobedience to their authority with an iron hand.

Potentially, this territory is of exceptional value. The second of the great islands of the Caribbean in size, it ought to hold the same rank in commercial importance. Many times the size of Porto Rico and of Jamaica; equal, in fact, in area to three Marylands with a population almost three times as great, its position in the Caribbean should be second only to that of Cuba. But

after the expulsion of France and Spain, who formerly held control of the territories now included in the two republics, the island, whether under one government or divided between two, has seldom been free from civil disorder.

The population of the larger country, the Dominican Republic, is mulatto. There are few whites in the country except foreigners engaged in business or sugar and cocoa production. Politically, the whites are a negligible fraction. The total population is little more than 725,000 or only about sixty per cent. of that of Porto Rico, or slightly less than one-half that of Haiti.

In climate, the Republic offers great variety. It is cooler than its location would indicate for there is but little low-lying land. It has almost untouched natural resources in both agricultural and mineral wealth. Especially in the last ten years important advance has been made in the development of cotton, cocoa, sugar and tobacco production, but the island is comparatively still unexploited virgin territory.

The recent history of the Dominican Republic may be judged by a brief review of developments there in the period since our Civil War. During the Civil War, in fact, Spain had reëstablished her control, but at its end withdrew.[1] In this same period, the United States first became actively interested in the territory, for the naval difficulties involved in blockading the southern

[1] A Spanish account of this enterprise is José de la Gandára, *Anexion y Guerra de Santo Domingo,* Madrid, 1884. See also Samuel Hazard, *Santo Domingo, Past and Present, With a Glance at Hayti,* New York, 1873.

ports had shown the advantage to us of possessing in the Caribbean a port which our ships might use as a base of supplies. In 1869-70, our Federal Government took serious steps toward securing control of at least a portion of the Republic, but the plans fell through, and in the thirty years following 1865 there occurred twenty general revolutions, and twenty-five national administrations held power and fell. The history of the country is a recital of a continuous series of revolutions, bloodshed and anarchy, followed by the peace imposed by lawless dictators. Plundering of property was continual. Natives were terrorized and foreigners gradually driven from the country. Social demoralization and economic degeneracy set in. The Republic gradually slid back towards barbarism. The country was flooded with paper money, metal disappeared from circulation, domestic and foreign loans were contracted with no regard for the possibility of their payment.

At last, in 1882, there came into control a man, who by his power to dominate the population, seemed at least to assure order. This was Ulises Heureaux. He remained absolute dictator for seventeen years. Part of the time his dummies were in office so that the constitutional forms as to the number of years which a president might hold office might be observed. But Heureaux was always the power behind the government. Peace had come at last, but it was peace under a despotism. It was the peace of exhaustion and terror, brought not by the establishment of order as we understand it, but by the complete breakdown of ability to resist. In 1899, Heureaux finally fell at the hands of an assassin. He

had increased the already heavy debt which the country had inherited from his predecessors to $20,000,000.

During his rule there had been a show of prosperity, but it had been brought by selling concessions and by contracting foreign loans which were wasted in purposeless government expenditures. Credit was broken down, and roads had fallen into disuse. It was reported, in fact, that at the end of the nineteenth century there were but ten miles of roadway in the Republic. It had become a proverb with the people that when a traveler came to a bridge he should go around it. Communication with the interior was exclusively by footpaths and mule trails. Industry was practically at a standstill, except in so far as it relied on the gathering of wild products. The only exception to this rule was in the seaports where some semblance of peace was kept by the unpaid troops and revolutionary activity was checked at the range of the guns of warships.

The next five years of the history of the Dominican Republic, 1899-1904, were worse, if that is possible, than the previous period under Heureaux. It has been aptly described as a period of national nightmare. Figuero, Vasquez, Jiminez and Vasquez again controlled the presidency. Then came Wos y Gil and finally Morales, in 1905. By this time the debt had risen to about $32,000,000, and the country could not pay even the interest on its obligations.

Foreign nations, also seeing the possibility of entire extinction of their interests, began to press more insistently for payment of the loans made by their citizens and for the protection of the property of foreign-

ers in the island. The character of the claims upheld was various. Some involved government loans made in good faith, others investments in local enterprises which were of purely business character. The greater proportion, however, no matter what country was involved, were investments of a highly speculative character, often tinged with fraud and corruption. But the character of the claims was not the thing which at the moment demanded the attention of the Government, for the continually increasing pressure which the creditors put upon the Republic threatened to overthrow not only the administration for the moment in power, but the state itself.

The sort of property interests which the countries were called upon to protect may be illustrated by the chief American claim, much better than the average, that of the San Domingan Improvement Company of New York. This company was the successor of the Westendorp Company, a European corporation which had loaned the Dominican Republic £170,000 in 1888. It secured the right to collect all the customs revenues to satisfy this claim, and with some interruptions did so until 1893 when its interests were bought out by the San Domingan Improvement Company. This company collected customs until 1901, when Jiminez, one of the successors of Heureaux, appointed a board of his own, known as the "Committee of Honorables," to do the work. But instead of devoting the receipts to paying off the debts for which they were pledged, this commission, in spite of its name, diverted the payments to cancel the revolutionary debt of their leader. This and

certain English claims were settled by protocol in 1903, but the payments promised the Dominican government failed to observe. The same was true of certain French, Italian, and Belgian claims upon which these respective governments were asking payment.[1]

This was the condition of things when in 1905, with credit destroyed and the country on the verge of anarchy, President Morales felt that he could no longer resist the pressure of foreign governments, especially that of European countries. It was reported, in fact, that Italian and French vessels were already on their way to the island to use force where suasion had not been sufficient. Once landed, and in control of the custom houses who could tell when those marines would depart? Under these conditions Morales did the only thing which distinguished him from other Presidents of the Republic. He appealed to the United States to shield his country from foreign interference.

Should the United States interfere in helping the Dominican Republic out of her trouble? On this point, there were and are two groups of opinion in the United States. One follows our traditional policy of non-interference. Revolutions in Central America, northern South America and the Caribbean republics had long been a matter of course, and the United States made no move to secure their prevention. In fact, our own territory had been the ground on which money had been raised and arms collected by which many of them were made possible. Those who believed that the policy of

[1] Hollander, J. H. *Financial Difficulties of San Domingo; Annals*, Amer. Acad. of Pol. & Soc. Sc. 30, p. 93, *et seq.*

"hands off" was the correct one, that we should still insist that all states were equal no matter how much the facts contradicted that statement, thought of course that in this Dominican case, too, we should do nothing. If European countries cared to back up their citizens by punishing the country that was their affair, not ours. If the matter concerned us at all it did so only in that we would not allow a European country to acquire a new colony in the West Indies.

The other group of public opinion was one which considered present-day conditions rather than our traditional position. For close on one hundred years, they argued, the people of the Republic had been experimenting with self-rule and had made an ignominious failure of their attempts. They were but little, if any, farther ahead than a century before. They had spent their money like a small boy, without any idea of future needs. They had lost all the advantages that supervision by the European powers had brought them in the colonial period. Personal rights were non-existent, illiteracy increasing, property unsafe, sanitation unheard of. The sugar pans, on the extensive plantations, which had been so prosperous in the Spanish régime, were rusting in the places where they lay on the morning of independence. If it is true that any people by failing to use its opportunity should lose it, then the people of the Dominican Republic deserved to lose theirs.

Their shortcomings, now that they were threatened with national extinction, the Dominicans themselves recognized. They appealed to us to help them, not to avoid the just consequences of their extravagance, but

to keep them from destruction and to show them a way to pay their debts. In addition to the humanitarian motive to help out a weak people, it is but fair to say that the United States was interested because we had certain concrete national interests which were affected. Though our necessity for securing a coaling station in the West Indies was now very much less than it had formerly been, since by this time, 1905, we had acquired Porto Rico and a coaling station in Cuba, still the importance of conditions in the island for the United States had in fact increased.

(1) If its sanitary condition were to continue deplorable and the island was to be a breeding place for disease in the Caribbean, comparable to Guayaquil on the western coast of South America, then it would be a constant menace to the health of foreign countries and especially of the United States. This would increasingly be true with the growth of our commerce in the Caribbean, particularly with Cuba and Porto Rico.

(2) Further, and perhaps more important, no matter what might be our national attitude toward the destruction of civilization and the destruction of the property rights of *our* citizens in the country, it was certain that European nations would give their nationals efficient support, and that action might have unfortunate results for us. If European nations were disposed to insist on payment and the Dominican Republic was indisposed to pay, the logical alternative for them if they did not themselves take over the island was to take possession of the principal ports by force and collect the customs with which to pay for the loans. Such a

procedure was one which would interest, not only the claimants, but the United States, for too frequently temporary occupation of a port ripens into permanent possession, as China's experience proves. The taking of a seaport in order to allow the collection of its customs dues might therefore be the indirect means of establishing a colony in the New World, a thing contrary to the Monroe Doctrine.

Looked at in this light, this appeal for help, which came to the United States from President Morales, in 1905, was, therefore, a thing which involved not merely property interests or our general desire to see western civilization in the New World developed, but also the fundamental doctrine of our foreign policy. Would it not be better to apply the ounce of prevention rather than wait till the pound of cure would be necessary?

President Roosevelt was in sympathy with the second group of opinion outlined, and in February, a month after the request was received, a protocol was drawn up by which the United States was to act in the rôle of bankrupt's receiver for the country. It was recognized by all that the Dominican Republic could never pay the total of her nominal debts, if indeed she should be held to do so since they were so honeycombed by fraud. Under this protocol the United States was to adjust all claims of foreign creditors and to assume control of all the customs houses. We were to give 45 per cent. of the customs receipts to the Dominican Government to run its expenses, and with the other 55 per cent. all expenses of collecting the customs, the interest on the loans which the island should be held to pay, and payments on the

principal were to be met. There was to be no reduction in the Dominican tariff without the consent of the United States.

This proposed treaty President Roosevelt submitted to the Senate, but it was not ratified. Consternation greeted the announcement of its failure, and at the Republic's earnest appeal President Roosevelt put into force an executive agreement, not necessitating the consent of the Senate, which accomplished practically the same purpose as the treaty. Under this agreement the collectors of the customs were to be Americans and to have the support of the American warships. We were to act, not as a direct negotiator in the affair, but in a position similar to that of next friend. The substance, if not the form, of the proposed treaty was adopted.

In arguing for its acceptance by his people, Sr. Federico Velásques, Minister of Commerce, declared:

Reason counsels men of good faith to throw aside distrust that they may study our affairs dispassionately. It shows that the American Government does not come to our aid entirely without self-interest: On the contrary, it has in the affair a great and powerful interest. The circumstances of its politics demand that European nations shall not establish themselves in America, and it is to avoid that that it aids us. If our madness continues, if we do not pay what we owe to the European creditors, there will come a day on which, tired of waiting and pleading, the European Governments will occupy our customs houses to get those debts and perhaps part of our territory. If that time should come, the American Government will have either to back down in its foreign policy, confessing that the Monroe Doctrine is a laughable phantasm, or undertake a war with powerful nations, or pay those debts, or guarantee their payment, charging itself with their collection. Is it not good policy to forestall these eventualities, when

not only the dangers may thus be avoided but an unhappy republican people can be aided to escape from its critical position? Is it not good politics to give this aid when to these advantages there is added the increase of influence in all Latin America, since it is demonstrated that the United States aids without demanding territorial compensation; and also a preponderance in a market in which to sell a part of the products of the national agriculture and industry? The United States are today, and will have to be for a long time to come, the natural protectors of the weak Spanish-American Republics, and in the heart of every patriot of these nations there is a wound which bleeds, when memory recalls the humiliations and exactions endured every time when this protection has weakened or could not be asked or given.

As an honest man I must believe in the word of honest men of other lands and I have no right to doubt the sincerity of those who, possessing Cuba, a hundred times richer than we, a hundred times more easily governed, retired thence voluntarily and raised the island to the high rank of a sovereign nation.[1]

The result of the agreement in the islands was good. Quiet and order, such as had not been known for two generations, came to the people. Revolutions stopped for there were now no customs houses to plunder. The peasant planted and gathered his crops without fear of revolutionary disturbances. The soldiers for the first time received their pay. They no longer had to live by pillaging the civil population. Business rapidly revived in spite of the depreciated currency. Customs duties, now collected by American officers, were actually paid into the treasury. There was no chance of their evasion by collusion with corrupt officials. All merchants were therefore on an equal footing in securing goods from abroad. Customs receipts which, in 1904,

[1] Quoted in Deschamps, Enrique, *La Republica Dominicana*, Santiago de los Cabelleros, D. R. (n. d.), pp. 199-200.

had reached only $1,852,000, rose steadily under the protocol. At the end of two years they had increased over 72 per cent.

Curiously enough, the Government now prospered on forty-five per cent. of the receipts more than when it received the entire amount. By the first of January, 1907, there was deposited in the Creditors' Trust Fund in New York almost two and a third million dollars, and at home revolutions had ceased, for with the customs houses manned by American officers backed by American gun boats there was no longer any incentive to start a revolution, for the great prize of revolutions, control of finances, could no longer be won.

The favorable working of this temporary arrangement with the Dominican Republic influenced public opinion in the United States and the opinion in the United States Senate in favor of the adoption of some scheme by which our country should take for a long period the supervision of Dominican finances. A new treaty was drawn up in February, 1907, and ratified by both governments. Meanwhile the Republic had succeeded in getting a tentative agreement from her creditors by which all her outstanding obligations were to be refunded into a new loan of $20,000,000, to be handled by Kuhn, Loeb & Company of New York. This adjustment was made possible by scaling down the claims of creditors from ten to ninety per cent., according to the degree to which they represented bona fide transactions. The nominal total of the debts had been about $32,000,000. For this the Government promised to pay about five and a half million dollars with about

$12,000,000 interest. The total payment on all accounts for the debts was approximately $17,000,000. The financiers were to issue bonds for $20,000,000 and under the new treaty the United States was to collect the customs of the island for fifty years. The provisions for the division of receipts and their use were similar to those in the temporary agreement.

The effect of the agreement on Dominican foreign trade and the general prosperity of the island is unmistakable. It is quite as remarkable as the change brought by the temporary arrangement of 1905-7. The commercial revival is shown by the following table.

FOREIGN TRADE AND CUSTOMS COLLECTION OF THE DOMINICAN REPUBLIC

| Year | Imports | Exports | Collections by Customs Receivership |
|---|---|---|---|
| 1905 | $3,096,263 | $6,898,098 | |
| 1906 | 4,281,337 | 6,543,872 | $2,502,154 31 |
| 1907 | 5,156,121 | 7,638,536 | 3,181,763 48[1] |
| 1908 | 4,767,775 | 9,396,487 | 3,469,110 69 |
| 1909 | 4,425,913 | 8,113,690 | 3,359,389 71 |
| 1910 | 6,257,691 | 10,849,623 | 2,876,976 17 |
| 1911 | 6,949,662 | 11,004,906 | 3,433,738 92 |
| 1912 | 8,217,898 | 12,385,248 | 3,645,974.79 |
| 1913 | 9,272,278 | 10,469,947 | 4,109,294 12 |
| 1914 | 6,729,007 | 10,588,787 | 3,462,163 66 |

[1] There was a readjustment in 1907 by which the fiscal year was made to end July 31 instead of March 31. In that period the receipts were $1,161,426 61. These figures are from C. H. Albrecht and F. A. Henry, *Development of the Dominican Republic*, Special Consular Reports, No. 65, Washington, 1914, and Report of the Eighth Fiscal Period, Dominican Customs Receivership.—Santo Domingo D. R. April 15, 1915.

This remarkable showing was made in spite of the fact that in 1910 at the instance of the customs officers placed in control by the United States the tariff rates were markedly reduced.

Prosperity in the Republic has not meant that the

local conditions have become uniformly peaceful. Carlos F. Morales, who brought about the agreement with the United States, was in control until the end of his term in 1908, when he went out of office—not by a revolution—lived peaceably in the Republic, and has recently died a natural death—an unusual thing for a Dominican President. Raymond Caçeres succeeded him for the period ending 1911, but his term saw the beginning of new revolutionary disturbances made possible again by the increasing prosperity of the country.

On November 29, 1911, Caçeres left the house where he was calling and on his way home was shot by political enemies. He fled to a stable adjoining the American Legation whence he was dragged by his friends into the Legation. There he died a half hour later. A young man, Alfredo Victoria, took control then and put his aged uncle in office by going through the form of an election. The other chief offices he filled with relatives. His control was soon questioned by a revolt under Vasquez, near the Haitian border. Under pressure by United States officers, Victoria resigned in November, 1912, and Bordas was chosen to hold office until a general election. On December 19, the revolutionary leaders were informed by President Taft that any attempt on their part to oust the Provisional President would be resisted by the United States. The revolution continued, however, and shortly after President Wilson came into office the insurgents held the suburbs of the capital. President Wilson, in this situation, sent a commission of personal representatives to the island who arranged a compromise by which President Bordas re-

signed and Baez was chosen Provisional President Sept. 5, 1914. In October the election for Congress was held under the "supervision" of a large number of American officers and marines imported for the purpose from Porto Rico. Mr. J. I. Jiminez was chosen. The marines were then withdrawn, but late in November 1,000 were again sent from Guantanamo to quell a revolt rising out of the election. On December 5, 1914, Jiminez was inaugurated. He was the first regularly elected President since Caçeres was assassinated in 1911.

These renewed disturbances in the Republic have led many to think that the degree of supervision which we have now under our treaty is not sufficient effectively to guarantee order. To be sure, the recent revolutions have not affected so large a number of people as was formerly the case, but with the increasing prosperity of the island many feel we will be forced to seek the institution of some such right of intervention as is guaranteed to us by the so-called Platt Amendment in our treaty with Cuba.

There can be no doubt that for the good of all concerned, the Dominicans included, some arrangement by which order shall be secured is essential. In addition, an honest customs service in which efficiency is the only qualification for appointment and advancement in office, is needed. Both these must be had if the Dominican Republic is to live up to what we believe is her opportunity. That she has not the former, a government which can keep order, is demonstrated by recent events. For any defect of that sort the United

States has no direct responsibility. For the honesty and efficiency of the customs service we must stand sponsor. We are in the Republic in a peculiar position. We are handling other people's money by officers of our own, and most of the people, in whose interest we are accepting the trust, are quite unable to defend themselves. They are 725,000 half naked mulattoes and black men, not one in ten of whom can write his own name. We should put men in office there who by training are qualified for their positions, and they should not be removed for political reasons. To introduce the spoils system in a service in which we occupy a position similar to that of trustee is not only contrary to the spirit with which we allege we have undertaken our task; it discredits our efforts with the local government. It makes our claim that we are undertaking supervisory powers from disinterested motives one to draw a smile from citizens of other powers. There can be no doubt that applying the spoils principle to a service such as we maintain in the Dominican Republic gives body to the suspicion of our motives in all our Caribbean policies.

When the United States was first asked to take charge of the collection of customs, the appointee was a well known economist, Mr. Jacob H. Hollander of Johns Hopkins University, who had taken part in the revision of tax laws in the island of Porto Rico. He had reorganized tax collection in the Philippine Islands and had introduced the revenue system there in force. After the plan had gotten well under way, Col. Geo. R. Colton, who had been in charge of the Customs Service in the Philippine Islands, was sent to the Republic. Later

he was succeeded by another officer of the Philippines Customs Service, Mr. W. E. Pulliam. None of these appointments were party appointments. Mr. Pulliam, at least, the man who for the longest period has held the responsible position of Receiver-General in the Dominican Customs Service, was a Democrat and was appointed by a Republican President. He was followed by Mr. W. W. Vick, who in turn resigned the 9th of July, 1914. It was alleged that this action was taken because of a letter from the Secretary of State of the United States indicating an intent to give the offices in the customs service as "suitable rewards" for "workers" who are "valuable" "when the campaign is on." [1]

What does our experience in the Dominican Republic teach us? Two things, namely,

1. Our period of supervision shows what can be done in a tropical island even with such inefficient labor as the black or mulatto native population when order is kept and property rights protected. The development which has occurred in the Dominican Republic is not one which touches only big business, though big business in sugar estates and cocoa and banana plantations will, of course, prosper by any improvement in conditions there. The change is one which makes the laborer sure for the first time in a century that the fruits of his labor will not be wrested from him. Order we have introduced as the basis of real ambition for the native and as an assurance that the period when it was foolish for him to ac-

[1] The letter of Secretary of State William Jennings Bryan, about which this incident turns, is reproduced in *Good Government* (New York), February, 1915, p. 26.

quire more property than the shirt on his back is passed. Our experience shows that with the introduction of order these territories may become, for the world at large, more important than they ever have been. There is no reason why, under proper supervision, the Dominican Republic, Haiti, and the republics in Central America may not develop their resources as Barbados and Porto Rico have done.

2. In order to be in the strongest diplomatic position we must see to it that the officers whom we put in control of the "international" service which we create shall be honest and chosen for efficiency, not for party service. If we fail in this, "America for Americans" must come to have an unwelcome connotation to the people we have a peculiar opportunity to help. Those positions are not "suitable rewards" for henchmen who have done good service in our own political struggles. If they are thus disposed of, we cannot expect to have that confidence in our agents which we should have, nor can we expect our neighbors to look upon our policies in America as other than narrow, nationalistic programmes dictated by the interests of politics, which are at once partisan, provincial and corrupt. No man should be appointed there because he is a "deserving Democrat" or "reliable Republican."

## II. COMMERCIAL

International commercial interests in the Dominican Republic are predominantly those of the United States. We furnish about two-thirds of the imports, and take

four-fifths of the exports. Germany in normal times occupies second place in the foreign commerce. Her trade with the Republic was cut down by the European War to the advantage of the United States. Her chief export to the island is rice and she takes practically all of the tobacco sent abroad.[1] No country except the United States, Germany, and Great Britain has as much as three per cent. of the foreign trade.

Sugar production is rapidly increasing and this article with its allied product, molasses, constitutes nearly one-half of the entire exports. A large amount of cane is shipped to the mills of Porto Rico. The cocoa industry is the most widespread. Of its export value the United States takes about four-fifths.

[1] Report of the Eighth Fiscal Period, Dominican Customs Receivership cited above and *Commerce Reports*, Supplement, June 26, 1915, and July 15, 1915.

# CHAPTER IX

## THE HAITIAN PROTECTORATE

### I. POLITICAL INTERESTS

THE recently concluded treaty to establish a protectorate over Haiti is another step of the United States in the imperialistic development following the Spanish-American War. Steadily, quietly, almost unconsciously, the extension of international responsibilities southward has become practically a fixed policy with the State Department. It is a policy which the record of the last sixteen years shows is one followed, not without protest from influential factions, it is true, but none the less followed, by Administrations of both parties, and of decidedly different shades within one of the parties. Whatever developments may come which will divide the people as to governmental policies, there seems to be little doubt that any future Administration will turn back upon the decisions taken. Protests will continue but the logic of events is too strong to be overthrown by traditional argument or prejudice.

Already the United States has gone far indeed from the position she consistently occupied up to the opening of the twentieth century. It may be admitted that we have been from the beginning of our history a colonizing power, that we were always extending our control west, south and north to secure new worlds for our rapidly

increasing population, native and adopted, to conquer. That is, of course, easily demonstrable, but it is also true that in the strict imperial sense we had never been a colonizing nation, with negligible exceptions, up to the beginning of the twentieth century, that we were not possessed of territory nor in control of any which we did not look forward to seeing organized into states as equal members of the American Union. Our only intimate contact with dependent races was with those which were found here when the white man came, or imported in the days of slavery to furnish us a labor supply.

But in the brief period since the Spanish-American War, we have gone far from this standard of presumed equality, present or potential, of the political units over which our Government exercises control. This differentiation is in itself only a consequence of a recognition of the fact which, even to ourselves, we have not been ready to avow—the recognition of differences among peoples as to political capacity. Amateur imperialists though we are, we have become colonizers in the Far East and in the nearer South; our Administrations have been reaching out for, or been driven toward, an increasing control over all the weaker republics of the Caribbean region.

If steps of this sort have already been taken there seems at first sight to be no reason to conceive of the new responsibilities in Haiti as any more interesting or important than those assumed in connection with the other communities mentioned. To a degree this is true. The problems of administration with which we will be confronted are certainly no more complex than those

which confront us in the Philippines and the pride of the Haitians surely no more punctilious than that of the Cubans. Still Haiti is a problem different from these. Its contrast lies, not so much in kind, as in degree. The other units over which we have assumed varying measures of governmental control have been weak, but not all of them have been of such a character that their dependence upon outside stabling forces for the maintenance of order seems sure to be of indefinite duration. The Philippines, among our dependencies, come nearest to the position of Haiti in this respect. Disregarding for the moment the question whether any of these units could unaided hope to maintain a government free from interference by the great powers under modern conditions, let us look at their racial composition so far as they lie in America, keeping especially in mind the political capacity of which they and similar racial groups have shown possession.

Porto Rico, of all Caribbean islands or countries, has the greatest proportion of white blood. It has shown marked elements of political stability though the action of her representatives which forced the United States to place limitations on the control of the budget showed a disappointing lack of political poise. Cuba, in 1899, had a population two-thirds white; Panama, with her decidedly mixed population, had at least a dominating class with a large amount of Spanish blood; San Domingo is the mulatto republic; Nicaragua, with which we have recently entered into closer relations, is predominantly Indian—probably to the extent of seven-eighths of its population, but, as in Panama, the domi-

nant group politically was, if not always of pure white race, at least always controlled by men whose ancestry was predominantly white. Haiti is the black republic. Only since 1899 have white men been able to hold land there or become citizens. There are few whites who have even cared to take up residence in the country.

This review shows a curious succession of projects of control, which have successively involved populations less white. The chronological sequence coincides curiously with the sequence when the populations are arranged according to color. The same general order appears if the test be political capacity.

Haiti represents not only a new responsibility; it represents one different from the others in degree, so great as to constitute almost a new problem. People of white race have not only not been in preponderance, as in Porto Rico and Cuba, but they have not largely influenced the population through inheritance as in the Dominican Republic, nor have they been the dominant class as in Central America. They have been, on the contrary, of practically no influence in politics and of only slightly more importance in the country's economic life. In Haiti, a white man occupies a position in which he is looked upon with prejudice perhaps greater, certainly no less, than that which in the United States is shown toward the negro. This generally accepted fact, easily explainable perhaps from history, makes our Haitian responsibility one which may raise problems far different from those which have confronted us in the other territories in which we have acquired possession or have assumed supervisory control.

Haiti has few friends. Almost from the beginning of her history she has been an international outcast. There is little doubt that but for the fact that she profits incidentally from the protection given all weak American countries by the Monroe Doctrine she would before now have ceased to be an independent country.[1] Even the steps taken by the Haitian Government for the advancement of human freedom, through the early abolition of slavery, due to the peculiar situations then existing in both European and American countries, brought her no sympathy but were viewed with alarm. The republic was one created by ex-slaves who had risen in revolt against their masters; they had dispossessed the legal owners of the land by confiscating their property. The great slave-holding powers of the region, England, France, Spain and the United States, looked with disfavor upon her declaration of emancipation in 1804. Her shortcomings were exaggerated and the excesses committed by those who had sought to put down the insurgents were condoned.

Knowledge of a successful black republic founded on revolution could not fail to disturb the peace of slave-holding colonies, such as nearby Jamaica, Cuba and Martinique. No less was the unfriendliness of the slave-owning interests in the United States to be counted upon. England carried through the abolition of slavery in her colonies in 1833, and this removed her chief objection to recognition of the republic. France, loath to

[1] See MacCorkle, W. A. *The Monroe Doctrine and its Application to Haiti, Annals,* Amer. Acad. of Pol. and Soc. Sc. 54, pp. 28-56.

recognize the independence of her former highly-prized colony, did so only by treaty in 1838, over a third of a century after her control had, in fact, been brought to an end. She abolished slavery in her own West Indian colonies only in 1848. The slave interests in the United States kept our Government hostile. They opposed our participation in the Congress of Panama in 1826 because that Congress would have to pass upon the recognition of the negro republic of Haiti and it was not till the Civil War was well in progress that the Government at Washington formally recognized its independence. Spain, last of the great West Indian powers to abolish slavery, was also unfriendly, and for a brief period during the Civil War succeeded in establishing her control over her portion of the island, the eastern two-thirds, as France had dreamed of doing in Haiti.

Whatever might have been the performance of the Government, there is little doubt that it would have received a cold reception from powers who felt that the Haitian Republic contained a menace to their own "domestic institutions." But the wrong was not all on one side and Haiti's turbulent history, which would be comic if it were not so tragic, furnishes too many examples of brutality and injustice. Her early excesses may be condoned. They were awful, but they were hardly worse than those perpetrated upon her by her civilized enemies. The French admirals, who put scores of revolutionists in the holds of ships and then suffocated them by burning sulphur under the tightly closed hatches and who imported bloodhounds with which to bait negroes

on the public squares, were quite as barbarous as any of the negro dictators who tried to drive the rulers from the country. We must remember that less was to be expected from the blacks, some of them not even a generation from the African jungle, than was to be looked for from our own great grandfathers.

On the other hand, let us not minimize the shortcomings of Haiti—they are many. Our desire to be fair must not lead us to excuse acts committed in our time because similar abuses were general in former generations. Conditions, outgrown with us, may be a matter of frequent occurrence, measuring the degree of national advance, in another land. And this is the limitation of Haiti; not that life there was of little value a century ago, and that property belonged to him who could hold it, but that these conditions continue general today at a time when they have elsewhere become sporadic or have been outgrown. It may be true that this is the result of accident, a result of the fact that European and certain American populations have nineteen hundred years of governmental experience behind them and the Haitian has not, but this explanation or excuse is apt to have little influence on the moves of international politics. Haiti must submit to be judged by present-day standards, not by those of generations past.

An idea of the turbulent character of her government can be gotten from a review of the fate of her leaders. The George Washington of the Haitian Army of Independence was Toussaint L'Ouverture, a black man whose abilities would have given him a high place in any society. His history is far from that outlined by

tury old. Plantations, formerly yielding their owners great profits, have gone back to jungle and bridges interest the traveler only as picturesque ruins.[1] Through it all the negro presidents and their flatterers have kept up the boast that Haiti is in the front rank of progress. In 1810, the historiographer of Henri Christophe, describing the influence of his patron, shortly to be crowned king, and his reception on a trip through the provinces declares:

> He is received throughout, not as the conqueror of the Mole, but like a vivifying genius come to visit those parts. His ameliorating eye embraces all sides. . . . If unjust and rapacious farmers no more deprive them [the cultivators] of their labor, and grow rich by the sweat of their brow; if cattle are allowed to ravage no more their gardens and provision grounds; if the banana is allowed to ripen on the banana tree, it is to Henry that these men are indebted for it. He it is who animates industry, and gives life to commerce. In his presence the people vent their exclamations of joy, the unequivocal returns of a degree of affection and attachment bordering upon idolatry.[2]

Haiti has continued in similar dreams of self-deception. In 1902, a German vessel during difficulties with the government, fired upon a Haitian gunboat. The commander seeing himself about to be conquered blew up his ship. This drew the following pronunciamento from Mr. A. Firmin, claimant for the presidency, writing from the National Palace at Gonaives, September 6, 1902.

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[1] Franklin, James, *The Present State of Haiti*, London, 1828, p. 271 *et seq.*

St. John, Spenser, *Hayti or the Black Republic*, London, 1889, *passim.*

[2] Sanders, Prince, *Haytian Papers*, Boston, 1818, p. 87.

To the People and the Army:—

Our vessel, taken by surprise, was not able to defend itself; Admiral Killick has immortalized himself in blowing it up. He has met the death of the brave.

Boisrond Canal and the anti-patriots who surround him will render an account of that action before history.

Never would the foreigner have thought to act so brutally toward us without the request of that man. . . . Haitians, shame to those who, forgetting their duty to the country, call on foreigners to disgrace it. . . . Dessalaines, illustrious founder of our independence, and thou, Petíon, and thou, Capiox, braver than death itself, your sublime souls soared silently over this generous city of Gonaives during that act of iniquitous aggression.

But I swear, with the brave citizens and soldiers who surround me, to preserve the national honor entire. . . .

A. Firmin.[1]

Or take the open letter quoted by Mr. Hesketh Prichard, not an official document like the two preceding illustrations, but well depicting the lack of perspective of the average Haitian.

Mon Ami:

. . . They say we are human crabs, who do not advance in the march of civilization, but move always backwards. In saying this they add we must be driven forward—they propose a foreign protectorate. Before it is too late let us guard ourselves against these adventurers, these liars. . . . Let us avoid the stranger; let us spurn his attentions! . . . Let us take precautions. Arm! Fortify! Entrench ourselves! . . . Then we can answer the stranger who calls us a race of monkeys . . . with our guns! The hearts of our people are ready, they do not want in courage.

The English are brave. We conquered the English.

The French are a great nation. We drove them into the sea.

The victorious Napoleon himself sent his Myrmidons to snatch

[1] Crichfield, G. W. *American Supremacy*, New York, 1908, Vol. I, p. 343.

back our new-bought liberty. We hurled them back. . . . Repulse in a manner the most formal, the most energetic, any interference of foreign nations in the affairs of our country. . . . We need not despair. . . .

It has been said we are incapable of guiding ourselves, that we cannot govern, yet to whom do we as a nation owe our liberty? To our forefathers! Alone they created the Haitian nation. They bought for this small portion of the African race the right to live in independence. We do not need foreigners to aid us. Since we were born without consulting them, let us live without doing so. . . . The envious peoples threaten us on all sides; they plot against our liberties, they groan to enrich themselves at our expense! If we would live we must be on the watch day and night. . . . We are conquerors, we are free, we do not wish to fall, to degrade ourselves, to become valets and vassals. Then beware. . . .

Adieu my friend.

Agréez, etc.,
General Miles Bobo.[1]

Of course, actual conditions make a sharp contrast with this grandiloquent rhetoric. Neither Christophe or King Henri I, as he became later, nor Firmin nor any of the other Presidents or near-Presidents has succeeded in giving his unfortunate country a position such as its natural resources would justify. They have all contributed to shatter the national honor to bits, not to "keep it entire." European observers, whether pro-Haitian or anti-Haitian in sympathy, have always commented on the deplorable corruption of public life, neglect of public order and of the most elementary public services. One may quote at random from any writer —the picture is almost identical. Haiti is and has been

[1] Prichard, Hesketh, *Where Black Rules White*, Westminster, 1900, pp. 257-66.

in an economic, social and political position which has made her a trial to her few friends and an exasperation to all others. The conditions to be found there at present are reflected in the story of recent events.

For the last decade the political conditions in the country have been growing steadily worse and have made any plans for bettering the financial tangle impossible. The last eight presidents have held office on the average less than a year. Insurrectionary activity has been practically continuous. That the country is in process of "sliding back to barbarism" needs no demonstration if one considers only the course of its public affairs since the beginning of 1914. The sorry history of this period shows the conditions which made foreign interference almost always within the range of probabilities.

In January, 1914, President Oreste succeeded in putting down a revolt. General Celestin and twenty other leaders were summarily executed. Theodore and Zamor then started uprisings, both opposing the Government, but each seeking to put himself into the presidency. American and German marines were landed to protect the interests of foreigners. The revolts were successful and President Oreste sought safety in flight to Colombia. Theodore and Zamor now turned on each other. Zamor was favored by the Congress and was elected President on February 7th. He was recognized by the United States and succeeded in putting down Theodore temporarily. But in June Theodore was again in the field and by October gained the upper hand, forcing Zamor into exile, and himself into the presidency. Meanwhile, the clouds of international trouble were

gathering around the republic whose leaders were so much engaged in fighting each other. In May, Great Britain, tired of being put off, sent an ultimatum demanding payment of $62,000 indemnity. Zamor managed to raise the money and that cloud blew over, but the next month, with Theodore again in arms, Germany and France made a formal demand for control of customs. What would have been the outcome of this situation had it stood alone it is impossible to tell. It was certainly highly dangerous for Haiti and unpleasant for the United States, carrying as it did the possibility of European intervention. The European War came in August and the Haitian treasury suspended payment on all obligations of the Government. Theodore came into power in October and the United States, which had been an anxious spectator, undertook in December to secure supervisory control of the country's finances. Theodore could not keep his seat until the arrangement could be put through. The feeling against him was said to be due partly to his willingness to consider an American protectorate, including a grant of a naval station at Mole St. Nicholas. In January and February the tide was rising against him, and in the middle of 1915 it took his life.

In the fighting preceding his violent death, a French cruiser had landed marines to protect foreign interests at Cape Haitien. The United States ordered Rear Admiral Wm. B. Caperton, who had been at Vera Cruz, to proceed to Cape Haitien with his cruiser, the *Washington.* Being of higher rank than the French commander, this put an American in charge of the situa-

tion. Caperton had hardly arrived at Cape Haitien when both sides broke into unrestrained savagery at the capital, Port-au-Prince. July 27, 1915, marked the beginning of a ten days' reign of terror. Rosalvo Bobo was gaining ground against President Guillaume-Sam. The latter did not know whom to trust. He suspected the citizens, he suspected his own troops. The support, or at least the neutrality of the former, he sought to assure by arresting and throwing into prison 160 representative men. These he held practically as hostages. Among them was an ex-President, Orestes-Zamor. One of his own regiments the President rightfully suspected of disaffection, and he decided it should be disbanded. The regiment then went over to Bobo and aided in an attack on the palace. Guillaume-Sam and his General, Oscar, defended the building, but unable to hold it were forced to flee. Before doing so they put to death all the 160 men held as political prisoners. This act completed, Sam escaped to the French Legation and Oscar gained the shelter of that of the Dominican Republic.

When the populace heard of the wholesale murders, a mob gathered, invaded the Dominican Legation and from it dragged General Oscar to the street and shot him. The next day, July 28, the mob attacked the French Legation, dragged out Sam, shot him, dragged his body through the streets, and Bobo proclaimed himself President.

Confronted by this situation, the foreign military were prompt to act. Admiral Caperton landed marines at Port-au-Prince on July 29 to protect the legations.

several minor skirmishes surrendered. The convention, which at the end of August was being urged upon D'Artiguenave, the new Haitian President, was of much more comprehensive character than the one in operation in the Dominican Republic, for the United States was, under it, to keep control of the expenditure of all moneys and was to have the right to help in maintaining order. Its chief provisions were:

1. A Haitian receivership of customs was to be created under American control. There was to be an American Financial Adviser.
2. There was to be a native Haitian rural and civil constabulary commanded by American officers.
3. The United States, through its customs control, was to manage all expenditure of public moneys. The receipts were to be devoted to the payment of the expenses of the receivership, to the interest and sinking fund of the public debt, to the maintenance of the constabulary and the remainder to the Haitian Government for its current expenses.
4. Haiti was to promise to cede no territory to any nation but the United States.
5. All revolutionary forces were to be disarmed.
6. The convention was to last ten years, and an equal additional period if its objects were not accomplished within that time.

Secretary Lansing issued an announcement in which he declared: "We have only one purpose—that is, to help the Haitian people and prevent them from being exploited by irresponsible revolutionists. These are not properly revolutions; they are unorganized enterprises which invoke no question of principle, and they are ruining the country. . . . The United States has no purpose of aggression and is entirely disinterested in promoting this protectorate. We have not even asked for Mole St. Nicholas. The arrangement, of course, would

have to be considered by the United States Senate for approval." [1]

On September 4, Admiral Caperton proclaimed martial law in Port-au-Prince and on September 16 the treaty for a protectorate was signed. The next day our Administration recognized the new government with D'Artiguenave as its head. The treaty was promptly approved by the Haitian Congress and the Senate of the United States. These events aroused but little comment in the United States. The similar steps taken by the Government before had accustomed the public to the assumption of new duties in the Caribbean. The European War distracted the attention from what, for the moment, seemed minor problems. But the assumption of a protectorate over people of as turbulent a character as those of Haiti is not an undertaking of small moment. It represents a responsibility far greater than that involved in the treaty with the Dominican Republic for the population is twice as great, it is less peaceful, and the economic resources of which the government has control are greater.

Weak states of the Caribbean, like weak states the world over, are passing into eclipse. Whether any of them will again emerge from the control of their powerful protectors only future developments can determine. Outside America such an event seems unlikely, for the taking over of control there, as a rule, is at best only a step toward annexation. In America, on the other hand,

[1] *Literary Digest*, Vol. 51, p. 456 (1915). The text of the treaty, ratified Feb. 28, 1916, is found in Senate—In Executive Session, Executive A, 64th Cong., 1st Sess. (Made Public Feb. 28, 1916).

the supervisional agreements made by the United States have been actuated by a less far-reaching motive. Had this not been the case we could easily have found before this the occasion for extensive annexations. It would have been easy to prove that the disturbed states south of us had become examples of the "divine right to misrule," that they were in more ways than one a menace to their neighbors, that they had "sinned away their day of grace" and should lose their independence because unable to use it.

But our policy has been to guide, not to dominate. As is usual in such cases, our position is to be explained by a mixture of motives. Some impulses have been altruistic, we have faith in republican institutions and want to let our weaker neighbors work out their own problems of self-government, but are willing to give them neighborly aid, and in so doing the permanent governing of one people by another has seemed opposed to the principles of democracy. We have sought to make our functions temporary or make them preventive rather than corrective. Political motives also have urged us toward control. If some supervision is necessary we prefer that it should be our own rather than that of some European power. It would complicate our foreign policy and involve a reversal of our traditional position to allow non-American powers to interfere. Taken all in all, the expansion of our authority has been imperialistic only in a modified sense. The partial eclipse which it has seemed to involve for weak Caribbean states does not mean that we are taking the first steps toward their national extinction. That annexa-

tion will never come in any case it would be foolish to assert. That it will occur in a case where guidance without actual possession by the United States will bring peace is unlikely. The attitude of those who have guided our foreign policy toward our weak neighbors may be judged by the declaration of one of those who in recent years did much in its shaping. Secretary of State John Hay writing to Mr. J. N. Léger, the Minister of Haiti in Washington, declared in February, 1905, "In reply to your inquiry addressed to me this morning, I take pleasure in assuring you that the Government of the United States of America has no intention to annex either Haiti or San Domingo, nor does it desire to acquire their possession either by force or by means of negotiations, and that even in case the citizens of one or the other republic should ask incorporation in the American union there would be no inclination on the part of the Government or in public opinion to accept such a proposal. Our interest in harmony with your desires is that you should continue in peace, prosperous and independent." [1]

## II. ECONOMIC INTERESTS

The natural resources of Haiti are said to be of great value but their development has only begun. The richness of the soil—the national life depends almost entirely upon agricultural products—is testified to by the fact that within its 10,200 square miles the country sup-

[1] Deschamps, Enrique, *La Republica Dominicana,* Santiago de los Caballeros D. R. n. d., p. 201. (Translation.)

ports about 2,000,000 people, giving it 196 inhabitants to the square mile. It is, thus, one of the most thickly populated of American states. Commercial development has been hindered by the plague of revolutions and by their accompaniment—bad financial management. The monetary system is nominally based on the gourde, of a value of $.965 gold. But no gold has ever been coined and the silver pieces which were issued have vanished. The actual currency is United States gold which stays in the country, due to the fact that all export taxes and a percentage of the import dues must be paid in that medium. Supplementing the gold currency there are fluctuating irredeemable paper bills of the value of one, two and five gourdes.

The most important commercial product is coffee.[1] Cocoa holds second place. Other articles figuring prominently in the exports are cotton, cabinet and dye woods, honey, hides, and orange peels.

It is not to be expected that public records will be accurately kept in times of such continuous civil disturbances as have been the lot of Haiti. During revolutions the import customs are whatever the local authorities will accept and the government is regularly cheated of a large portion of its just return from the export tax on coffee. As a consequence, trade statistics are often unobtainable and always unreliable. In some years the best estimates of the value of Haitian export trade are alleged to be gotten by adding up the declared imports from the island into other countries

[1] The coffee exports reached 78,512,559 pounds in 1914. In that year 6,088,084 pounds of cocoa were sent abroad.

rather than by taking the locally compiled figures. Reliable estimates of value are not reported.

Due to her recent revolutions the foreign trade is now not only not increasing but undergoing a decline.[1] With war raging, the coffee plantations were neglected. Our consul at Port-au-Prince reported in June, 1915, "Nearly all of the male population has been recruited into the army, and in consequence but few have been left to till the soil. Agriculture has been at a complete standstill." [2]

The United States does not figure largely in the export trade. We have not learned to appreciate Haitian coffee. The value of shipments to this country has decreased over 40 per cent. since 1902. On the other hand, we play a more important rôle in the import trade, about three-fourths of which nominally comes from the United States, though our consuls report that the figures for countries other than our own represent about a 50 per cent. discount from the real value of the goods. In this import trade France holds second place.

[1] *Commerce Reports,* Supplement, June 19, 1915. Imports fell steadily from a value of almost $10,000,000 in 1912 to $7,612,792 in 1914. Exports also suffered. The total foreign trade in 1914 is estimated at $19,415,684. See also *Daily Consular and Trade Reports,* April 15, 1914, and *Haiti, General Descriptive Data* (pam.), Pan-American Union, Washington, 1915.

[2] *Commerce Reports,* Supplement, June 19, 1915.

the prosperity of the other depends upon the coffee trade. The economic bonds of the east coast are chiefly with the United States, from which also almost all the capital for internal development has come; the west coast is connected markedly with Europe. Similar contrasts can be drawn in the case of Guatemala and Honduras.

Racially, the republics are in striking contrast to each other. The predominantly Spanish civilization of Costa Rica bears little resemblance to the seven-eighths-Indian Nicaragua. The boundaries of the states do not coincide with the natural barriers which cross the region—a circumstance which has helped to foster plans of conquest on the part of factional leaders. In the long perspective of years, there is no reason for a group of states in Central America; it is a region of political divisions where there should be political unity. That the various attempts at confederation have failed is an excellent example of the way in which particularistic sentiment, based on local patriotism, may establish standards inconsistent with the plain dictates of logic. Geographical, racial and political divisions all have contributed to keep Central America a boiling pot for the century of its independence. Confronted there by problems of such complexity, it is not to be wondered at that the statesmen of the United States have looked upon those in which we are concerned as involving serious responsibilities, assumed of necessity rather than opening opportunities to be welcomed.

Had there been any design on the part of the United States to adopt an aggressive policy in this region, the

incidents which could have been made the occasion for the first steps have almost always been at hand. That no radical program has been entered upon is evidence of the forbearance of the United States; of its desire to respect even the technical rights of weaker peoples, and of its realization of the difficulty of improving conditions even with the coöperation of the resident population. Furthermore, Central American problems have a psychological bearing more far-reaching than the region in which they arise. They almost inevitably involve not only the question of the good-will of Central America, but also the good-will of all Latin-American peoples. The foreign policy of the United States, though worldwide in its outlook and its interests, is, and will continue to be, primarily American. Without the good-will and coöperation of its neighbors the United States can do little to improve international relations in the New World. A line of conduct must be followed which, in the long run, will commend itself to them as not only strong, but just. This must be the policy of the United States even though it may necessitate, in individual instances, a sacrifice of present advantage, both vexatious and costly.

The record of actions taken in the twentieth century doubtless contains incidents which show the failure, in the stress of circumstances, to keep this ideal clearly in mind; but the story, in its entirety, is one which may well be pointed to with pride, and be the source of great national satisfaction. Taken in connection with what the United States has done for the island communities of the Caribbean, it is doubful whether there exists in

history a better example of the national unselfishness of a powerful nation.

Without exception, the states of Central America have suffered from irresponsible leadership. Repeated revolutions have wasted the national resources and retarded their material progress, thus compromising their relative international position. To add to the complications, these rapidly changing governments have resorted to loans from abroad which have not only put a cumulative load upon the public treasuries, but have threatened the overthrow of national existence. The countries, of which the creditors were citizens, have frequently insisted on the repayment of loans at their face value, even when the actual money paid over was but a fraction of this amount and the conditions under which it was advanced were flagrantly corrupt. Not one state of Central America has escaped the necessity of repeated readjustments of its foreign debt; and not one, it may also be added, has received, from all the money borrowed, actual value commensurate with the amount of its face. The foreign debts, which at present burden the Central American states, are shown in the following table:

POPULATION AND DEBT OF CENTRAL AMERICAN STATES [1]

| Country | Population 1913 (or Latest Available Date) | Debt | Per Capita | Interest Rate |
|---|---|---|---|---|
| Costa Rica | 411,000 | $16,488,000 (1913) | $40.12 | 4– 5% |
| Guatemala | 2,119,000 | 17,577,000 (1913) | 8 29 | 4– 8% |
| Honduras | 589,000 | 121,261,000 (1913) | 205.88 | 5–10% |
| Nicaragua | 690,000 | 9,189,000 (1913) | 13.32 | 6% |
| Salvador | 1,210,000 | 10,829,000 (1914) | 8.95 | 2– 6% |

[1] Compiled from *Statistical Abstract of the United States, 1914*, Washington, 1915, pp. 688–91.

In some cases these figures do not appear forbidding. Much higher per capita debts are found in other countries with areas no greater. The picture, in reality, is worse than it appears for the debts represent the result of frequent readjustments with creditors, otherwise the totals would be much larger. Furthermore, in judging the burden of a national debt, the character of the people and the natural resources of the country must be considered. A northern European or American population might bear the tax necessary to support these burdens with slight effort; but a non-industrial, generally illiterate, mixed-race, tropical people might find them overwhelming. When, for example, in Honduras, the interest and sinking-fund payments must be drawn from some "six hundred thousand half-naked Indians," it is clearly out of the question to think of paying at its face value their debt, now approaching $125,000,000.

The character of the country also makes these debts larger even than they appear. The malarial, low-lying coastal forests, and comparatively inaccessible hinterlands of the Central American tropics are not easy for any race to conquer. Modern methods of transport have only made a beginning. Many of the railway lines serve only local developments, such as the banana plantations, and without through traffic routes most of the territory must remain in a backward or undeveloped condition. This handicap the more far-seeing of Central American leaders have not failed to discern. "Transcontinental" railways have been the rosy dream behind many of their unfortunate foreign loans. Too often the difficulties of construction have been under-estimated, and the money

raised at ruinous interest rates has been wasted in abortive lines which have soon degenerated into "two streaks of rust." The actual coming of the "transcontinentals" has been delayed until our own day, and even now their traffic continues so meager, because of the slow response in national development, that it seems inevitable that the promised blessing will involve at least serious monetary burdens.

Of the five republics under discussion, two, Costa Rica and Salvador, are in fair financial condition; Guatemala stands next, and Honduras and Nicaragua are in the worst straits.

### COSTA RICA

Costa Rica has an area of 18,691 square miles, equal approximately to the combined areas of Massachusetts, New Jersey, Connecticut and Rhode Island. Its population is 410,981, or about equal to that of Delaware, or New Mexico.[1] The country enjoys a healthful climate except in the coast districts, and the people are to a greater degree Spanish in blood than in any of the other Central American states. There are between three and four thousand foreigners in the republic, chiefly Spaniards and Italians. On the Atlantic coast there are about 20,000 West Indian negroes, almost exclusively in the banana industry.

The people of Costa Rica claim the best government of Central America. They boast that for over forty years their government has known no revolutions. The

[1] The Costa Rican Government estimated the population at the close of 1913 as 410,981.—*Daily Consular and Trade Reports*, June 22, 1914.

constitution is liberal, and, what is more remarkable in Central America, is respected and obeyed. Suffrage is subject to educational and property qualifications. The school system, with the exception of that of Panama, is the best from the United States to Chile; there are more teachers than soldiers. The Government has close relations with the chief economic development, the fruit industry, which is in fact the basis of its prosperity. This connection is found not only in current political affairs, but in the railway development and the general finances of the Republic. Like other Central American republics, Costa Rica has several times defaulted in the payment of her foreign debts. In the early seventies she borrowed improvidently, giving as security for loans issued at seven per cent. for about three-fourths their face, the national domain, all national property, the liquor tax, coffee tax and the net earnings of her railways. As a result, as early as 1874, the Government was unable to meet its obligations. In 1885, an American, Mr. Minor C. Keith, brought about a readjustment by which the bondholders took new bonds for the old at the rate of fifty cents on the dollar, the interest rates at the same time being reduced to four and five instead of seven per cent. The Government defaulted again in 1895 and 1901.[1] In 1911, Mr. Keith arranged a new loan with American bankers. Since that date the interest charges have been promptly met. Mr. Keith is said to hold personally more than

[1] For the history of Costa Rican finance see the *Annual Reports of the Council of the Corporation of Foreign Bondholders*, London.

one-half of the bonds of the Costa Rican debt, and the fruit company with which he is connected, controls over sixty per cent. of the active capital in the country, including that invested in the railroads.

Contrary to the general rule in Central America, the foreign trade of Costa Rica passes chiefly through the Atlantic ports, the most important of which is Puerto Limon. There are facilities here which allow steamers to berth directly at the wharf. In 1913, 85 per cent. of the imports went through this port, and 93 per cent. of the exports were despatched thence. The chief Pacific port is Puntarenas. There are regular steamship sailings to Liverpool, Galveston, New Orleans, Mobile, New York, Boston and San Francisco. The financial conditions are better than in republics to the north. Gold is usually at a premium of about 112.

Foreign trade shows a very satisfactory development. In exports, the growth of the banana industry has caused a sharp rise in the share of the United States. The most important item in imports is cotton goods, imported from Great Britain and the United States. Railroad material, coal, foodstuffs and all other important items, with the exception of rice, come chiefly from the United States. In rice, Germany holds first place, as she does generally in the trade in that article in the Caribbean.[1] The chief commercial countries divide Costa Rican trade as follows:

[1] The figures given in the various authorities cited frequently do not indicate whether they refer to the calendar year or the local fiscal year. It is therefore impossible to indicate where the war in Europe may have affected the totals for the year cited as 1914.

SHARES OF LEADING NATIONS IN FOREIGN TRADE OF COSTA RICA[1]

*Exports from Costa Rica*

| Year | Value | United States | United Kingdom | Germany |
|---|---|---|---|---|
| | | Per Cent. | Per Cent. | Per Cent. |
| 1903 | $7,319,145 | 41 97 | 48.88 | 4.61 |
| 1911 | 8,890,000 | 55 14 | 39.76 | 3.37 |
| 1913 | 10,322,000 | 50.77 | 41.83 | 4.89 |

*Imports into Costa Rica*

| | | | | |
|---|---|---|---|---|
| 1903 | $5,252,982 | 50 20 | 21 57 | 11.07 |
| 1911 | 8,838,000 | 46 29 | 17 34 | 19 03 |
| 1914 | 8,685,000 (1913) | 53 27 | 14.42 | 14.10 |

[1] The percentages of trade for 1903 and 1911 are from *Reports to the Board of Trade on the Conditions and Prospects of British Trade in Central America, Colombia and Venezuela*, by G T. Milne, London, 1913. Percentages of imports for 1914 are from *Commerce Reports*, June 21, 1915. Percentages of exports for 1913 are from *Daily Consular and Trade Reports*, June 22, 1914. Trade totals for 1903 from *Monthly Consular Reports*, December, 1904, p. 130; for 1911 from *Statistical Abstract of the United States, 1912*, Washington, 1913; and for 1913, *Ibid.* 1914.

In per capita purchasing power, Costa Rica is far ahead of the rest of Central America. This is said to be partly due to the fact that land ownership is there more widely distributed than in the other republics, and to the presence of the large number of West Indian blacks in the banana industry, who receive comparatively high wages, and spend freely for foreign goods. The comparative per capita production for export, and the comparative per capita consumption of imports, is shown in the following table:

IMPORTS AND EXPORTS PER CAPITA IN CENTRAL AMERICA[1]

| Country | Imports Per Capita | Exports Per Capita |
|---|---|---|
| Costa Rica | $21.13 | $25.11 |
| Guatemala | 4.75 | 6.82 |
| Honduras | 8.71 | 5.60 |
| Nicaragua | 8 36 | 11.18 |
| Salvador | 5.10 | 6.34 |

[1] Compiled from *Statistical Abstract of the United States, 1914*, Washington, 1915, p. 694.

Bananas are now the chief article of export constituting about one-half of the total.[1] Costa Rica is developing into a typical "banana" republic, as Salvador is a "coffee" republic. The total area under cultivation for bananas is reported as 95,400 acres. Coffee, formerly first, now ranks second in value among the exports.[2] About four-fifths of that exported goes to Great Britain.

### SALVADOR

Least of the Central American republics in size, Salvador is far from that position in population and commercial development. It has only 176 miles of sea coast all on the Pacific, and the total area is 8,170 square miles, about that of Connecticut and Delaware combined. It is one of the most densely settled republics of the New World, its people numbering 148.1 to the square mile, or in total about 1,210,000. The climate is healthy except on the sea coast, and the country shares with Costa Rica the reputation of being the most orderly of the Central American states. It is characterized as the only republic in Central America with a middle class. Salvador, unlike Costa Rica, puts great emphasis upon her military policy, necessitated by the ambitions of

[1] In 1913 banana exports were valued at $5,194,428. A total of 11,170,812 bunches were exported, of which 8,354,722 bunches went to the United States, Great Britain taking practically all the remainder. The banana exports fell to 10,162,912, valued at $4,725,754, in 1914, due to ravages of the banana disease and falling off of trade due to the war (*Commerce Reports*, June 21, 1915).

[2] Coffee shipped in 1913 was valued at $3,605,029, practically all going from Puerto Limon.

Guatemala, which is dissatisfied with her own short Pacific seaboard. Communication is better provided than in most of Central America; and here, as in Costa Rica, American financial interests are involved in the railway development, especially in the road crossing the country to pass through Guatemala, thus giving direct outlet to the Atlantic, at Puerto Barrios.

The financial history of Salvador has been troubled. From 1828 to 1859 there were constant revolutions, and no interest was paid on the then existing obligations. The debt, in 1860, was refunded at ninety per cent. of its face. In 1889 began the important railway loans for which the lines themselves have been pledged and various charges placed upon the national customs. These obligations, with the expenses for maintaining the army to guard against the encroachments of her neighbors, explain the excessive burden of taxation under which the country labors. Salvador is having a hard time to get enough to meet expenses. Every year since 1901 has seen a serious deficit which it has been impossible to overcome in spite of a satisfactory increase in national resources for taxation. It is doubtful whether the Government will be able to meet its obligations unless some way can be discovered to cut down appropriations, especially for military expenditures. This was one of the results hoped for from the international agreement of 1907, described later. In 1910, Salvador, hard pressed by Guatemala, appealed to Secretary Knox for aid, but the United States took no action.

Commercially, Salvador is not fortunate. There are no good harbors and all trade is handled by lighters.

About two-thirds enters at the port of Acajutla. Gold is usually at a premium running up to 160 per cent. The state is forced to high import duties and to a heavy export duty on coffee. Coffee raising is the mainstay of the national life. It constitutes between two-thirds and three-fourths of the exports.[1] The only other important item is metals. Of these practically all go to the United States. The coffee goes principally to France, Germany, the United States and Italy in the order named. As in Costa Rica, the United States is steadily becoming Salvador's market.

The shares of the countries most important in the trade of Salvador are indicated by the following table:

SHARES OF LEADING NATIONS IN FOREIGN TRADE OF SALVADOR*

*Exports from Salvador*

| Year | Value | United States | United Kingdom | Germany | Italy |
|---|---|---|---|---|---|
| | | Per cent. | Per cent. | Per cent. | |
| 1901..... | ..... | 18 | 22 | 11 | .... |
| 1913..... | $7,666,000 | 30 | 7 | 16 | 12% |

*Imports into Salvador*

| | Total Amount | | | | |
|---|---|---|---|---|---|
| 1902–1911. | ..... | 33⅓ | 33 | 11 | .... |
| 1913..... | $6,167,000 | 41 | 26 | 12 | .... |

*The percentages of trade are compiled from *Reports to the Board of Trade*, cited above; the trade totals for 1913 from *Statistical Abstract of the United States, 1914*, Washington, 1915. The figures reported in these publications are not uniform in all cases.

[1] Out of the total export trade, in 1913, amounting to $9,411,112, coffee constituted a value of $7,495,214. In all, 62,594,262 pounds were exported.

## GUATEMALA

Guatemala covers 48,290 square miles, or approximately the area of Louisiana. In population it is the largest of the Central American states. Estimates vary between 1,600,000 and 2,119,000.[1]

The relations of the United States with Guatemala, unlike those with her neighbors, Nicaragua and Honduras, have been peaceful. The constitution is here observed only as the Government chooses to observe it. In 1898, Estrada Cabrera,[2] an efficient tyrant, established himself in control, and though the fundamental law prohibits reëlection he has since kept office continuously. He was reëlected in 1916 for the term ending 1923. There is no free speech, no free press. Under Central American conditions—the friends of Cabrera and his type agree—it is a question whether arbitrary government, with order, is not to be preferred to "popular" government with incessant revolutions. At least, under the former better guaranty is given that labor will receive its wages and that capital will be secure, except from forced loans to the Government. Whatever may be our judgment on this point, there can be no doubt that great material progress has been brought to the Republic during Cabrera's Administrations. Besides general betterment in foreign trade conditions, it is to be noted that while there were in the country, in 1898,

[1] Officially estimated on December 31, 1914, as 2,003,579. *Commerce Reports*, Supplement, October 30, 1915.

[2] Cabrera, D. E. President Cabrera and His Career, *Overland M.* n. s. 53, pp. 259-67.

only 298 miles of railroad, there were 502 miles in 1914. There are now in use almost four thousand miles of telegraph wire, as against one-half as much when Cabrera seized control of the Republic. He has built roads to replace mule paths and has brought about at least comparative order.

The recent financial history of Guatemala does not present a showing so encouraging. Before the Cabrera régime finances were in a state of chaos. There was almost no time when public obligations were not undergoing readjustment, or the payments upon them were not in arrears.

Guatemala became a separate government on the breaking up of the Central American Federation in 1827. Thereafter, the Government was in default on its obligations from 1828 to 1855, and in 1863, 1876, 1878 and 1894. Since 1898, Cabrera has made by no means an entirely satisfactory showing. In the year of his election, the coffee export duties, which had been hypothecated to secure certain English loans, were changed, in alleged violation of the contract. In 1899, the bondholders complained of further infringements of their rights. German financiers undertook certain obligations which still further complicated the tangle. Attempts at readjustment were made each year thereafter till 1903. In the five years following, contracts were entered into with an American syndicate. Copies of the documents relating to the loans were to be deposited in the United States Legation at Guatemala and the holders of the bonds were to have the privilege of asking the protection of the United States in case the agreements

were violated. These agreements, the British bondholders alleged, infringed their previously acquired rights.

Under Cabrera's rule the import and export duties have risen remarkably. In 1898 they amounted to $5,122,967, Guatemalan currency; in 1913 they were $65,299,528, Guatemalan currency. Gold bears in normal times a premium over currency of about 1,900 per cent.[1] In spite of this improvement in income, however, the financial outlook is not bright, for expenses have grown also; and in only two years of the period from 1903 to 1913 did the revenues show a surplus over expenditures. Whether the government will be able to pull itself out of its present precarious position will depend here, as in Salvador, upon the maintenance of peace, the rapidity of the economic development of the country,[2] and the success which may attend the negotiations for settlement of difficulties, such as the dispute cited above, with British bondholders.

Guatemala is divided, like its neighbors, Nicaragua and Honduras, into two zones; one toward the Atlantic, low, and until recently little valued; and the interior and west coast regions, which are higher and produce an excellent grade of coffee. The exports reflect this geographical division. Imports are hampered by heavy charges. Manufactures, as elsewhere in Central Amer-

[1] Due to the European War the peso sank from 20.31 pesos to $1 American gold in 1914, to 45 pesos to $1 on May 1, 1915 (*Commerce Reports*, Supplement, October 30, 1915).

[2] The chief source used for statistics of Guatemalan finance is the *Forty-first Annual Report of the Council of the Corporation of Foreign Bondholders, for the year 1914*, London, 1915.

ica, are unimportant, but the tariff is highly protective. Its rates are complained of as being so burdensome that they retard, instead of aid, the industrial development of the country. Señor Manuel MaGirón, Secretary of State in 1913, was an ardent worker for removing oppressive tariff taxes on necessities and increasing those on luxuries; but his efforts brought no material change.[1]

In spite of the disadvantage of an illogical taxing system Guatemala has, in recent years, made a notable commercial advance. From a financial point of view the republic is a German colony. It is estimated that 80 per cent. of the active capital is German. The proprietors of business houses and plantations are also predominantly of that nationality.

Of the exports, coffee constitutes about four-fifths. Bananas are next in importance, and hides take third place. The only other important exports are woods and sugar. Germany, the United States and Great Britain now practically absorb the country's exports, taking over nine-tenths of the total. Germany takes about half of the exports, chiefly coffee. Germans own coffee plantations producing one-third of the crop, and it is said hold mortgages on three-fourths of the rest.[2] The chief item in the share of the United States is practically all the bananas.

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[1] *Memoria presentada por la secretaria de estado y del despacho de hacienda y credito publico a la asamblea nacional legislativa, 1913.* Guatemala, 1914, p. 263.

[2] *Commerce Reports,* Supplement, Oct. 30, 1915. In 1914, imports were $9,331,114, and exports $12,754,026.

In imports, the same countries divide the trade, together furnishing over four-fifths of the total. The United States furnishes about one-half of the goods from foreign countries.

SHARE OF LEADING NATIONS IN FOREIGN TRADE OF GUATEMALA [1]

*Exports from Guatemala*

| Year | Value | United States | United Kingdom | Germany |
|---|---|---|---|---|
| | | Per cent. | Per cent. | Per cent. |
| 1904 | $7,551,865 | 30 3 | 16 9 | 46.4 |
| 1910 | 10,982,000 (1911) | 23 5 | 13 4 | 56.6 |
| 1913 | 14,449,926 | 28.0 | 14.0 | 50.0 |
| *Imports into Guatemala* | | | | |
| 1903 | $2,345,500 | 45 2 | 18 7 | 20 7 |
| 1910 | 6,514,000 (1911) | 42 6 | 21 2 | 22 5 |
| 1913 | 7,959,326 | 50 2 | 16 3 | 20 4 |

[1] Compiled from *Reports to the Board of Trade*, cited above; *Daily Consular and Trade Reports*, September 30, 1904; *Memoria presentada por la secretaria de estado y del despacho de hacienda y credito publico a la asamblea nacional legislativa, 1913*, Guatemala, 1914; *Commerce Reports*, Supplement, Oct. 30, 1915; and *Statistical Abstract of the United States, 1912*, Washington, 1913.

In the case of imports, the figures for the United States make too favorable a showing, for a portion of the goods doubtless represents a transshipment trade.

## HONDURAS

Honduras is the third in size among the Central American republics. It has an area of 46,250 square miles, or about 3,000 square miles less than New York. Its density of population is comparable to that of Nicaragua. In 1910, the population was 553,446, or about 13 to the square mile. As in Nicaragua, Indian blood predominates. Seven-eighths of the people are said to

be pure Indian. The population is asserted to have declined in the last fifty years. The people of European birth number, at most, only two or three thousand, chiefly Germans engaged in trade, and Americans in the banana industry.

The recent political history of the state is practically the story of the career of Manuel Bonilla in opposition to the schemes of Zelaya, the tyrant of the neighboring republic, Nicaragua. Indeed, Honduras during the period from 1900 to 1913, was repeatedly made the ground on which Zelaya staged his "international" complots. In 1900, Manuel Bonilla headed a successful revolution against Policarpo Bonilla, an understudy and puppet of Zelaya. Arias became President long enough for Bonilla to be "elected." Policarpo Bonilla, the former President, was thrown into prison where he was kept till 1906. By this time, Zelaya was again dissatisfied and sent a general to invade Honduras. Manuel Bonilla fled to British Honduras, where he stayed till 1910. Zelaya, then having other trouble on his hands, Bonilla came out of retirement and headed a revolution against the puppet Davila whom Zelaya had set up in 1907. Bertrand became President in 1911, acting until Manuel Bonilla was "elected" and took office on February 2 of the same year. He held office for a little over two years when he died, March 21, 1913, and Bertrand again succeeded to the Presidency.

These turmoils and others of a similar nature that make up most of the republic's history have not been without influence on its financial condition. Nowhere, the world over, can a worse record be found of the ma-

nipulation of public loans for private profit. Like Nicaragua, the country has been in financial straits practically since the beginning of its separate existence, now almost ninety years ago. Insufficient revenues and frequent revolutions induced repeated resort to foreign loans on which practically no interest has ever been paid.

Like most American states, Honduras has dreamed of the great advantages to be reaped by good transcontinental communication, and most of the loans sheltered themselves behind this ideal. An example of the sort of financial operations into which the state was led is the loan financed, in 1866, by Bischoffsheim and Goldschmidt. They were to float a loan of $5,000,000, paying 10 per cent. interest and 3 per cent. to the sinking fund. The bonds were to be issued at 60. Nominally, the money was to be spent for building a railroad. In fact, the whole enterprise was scandalously fraudulent. The bonds were openly condemned in the British Parliament in 1875. No thinking person could have invested in them without being aware of the corruption with which they were tainted. The total revenue of the country at the time varied between $250,000 and $300,000, yet the bonds called for an annual interest payment of nearly $350,000. When the issue was offered, only one bid was made, one of $50,000 by the bankers themselves. Not more than $255,000 ever actually went to Honduras as the result of this colossal imposition upon a weak people. This transaction and others, nearly all of them similarly tainted, have brought the Honduran debt up to

a total, in 1913-14, of $121,261,000, an amount which, when considered with the undeveloped character of the country, is positively overwhelming. No interest has ever been paid on the Honduran debt except from funds secured by additional loans. No one now thinks it possible for Honduras to pay her obligations at their face. The only point of dispute is at what rate they should be paid, namely, how much the bondholders are willing to sacrifice to get something for their speculative investment.

How tremendous the present debt of Honduras is, may be judged by comparing it with the debt of the United States in the period following the Civil War. In 1870, our population was 38,558,371 and we were carrying a debt of $2,331,169,956.21. The debt of Honduras in 1913-14 was reported as $121,261,000, her population 589,000. If the debt of the United States had been as great per capita as hers now is, it would have had to pay about $9,000,000,000 instead of two and a third billion. Even this is only a faint reflection of the real contrast, for the United States was already in a strong economic position and was just on the threshold of a wonderful industrial development which would make the debt burden easier for it to bear. Neither of these conditions is present in Honduras.

Honduras has not questioned that she should pay for the money received, but has insisted that because of the fraud connected with the contracts, they should not be enforced against her. The bondholders have adopted the position that their claims are a lien on the

entire Republic, and that therefore any grants of further concessions are to be opposed, since the chance of payment of previous issues would thereby be reduced. If this attitude is maintained, it means permanent political stagnation for the little state.

Since 1904, there have been a series of attempts to adjust the claims of the foreign bondholders.[1] Señor Angel Ugarte proposed an agreement by which the bonds were to be recognized at six per cent. of their face—approximately their market value at the time. Interest on the debt thus computed was to be paid at four per cent. and sinking-fund charges to be turned over, amounting to two per cent. For this proposal the bondholders asked that another less favorable be substituted; but this latter was unsatisfactory to the United States in that it interfered with certain American concessions. American negotiations were suggested, an alternative gladly accepted by the British, who agreed to stop their negotiations pending the outcome. During the next two years a proposal was worked out by Mr. Wm. I. Buchanan, representing Mr. J. P. Morgan and others. The bonds, then quoted at from three to five per cent. of their face, were to be replaced by a new loan on a four per cent. basis and sinking fund. The bonds were to be bought at rates ranging from five to twelve per cent. of their face, and Honduras was to grant the bondholders a tract of some

[1] See the *Annual Reports of the Council of the Corporation of Foreign Bondholders*, cited above, and Samuel MacClintock, Refunding the Foreign Debt of Honduras. *Jour. of Polit. Econ.*, 19, pp. 216-28.

200,000 acres. But this proposal like that of Ugarte was rejected by the bondholders.

In 1908, Secretary of State Root, at the request of Honduras, again took up the matter through Mr. Buchanan. Before the parties came to an agreement, Mr. Buchanan died and Honorable Philander C. Knox succeeded Secretary Root in the State Department. Secretary Knox entrusted the work to Mr. F. B. Jennings, who succeeded in getting an agreement by the bondholders to accept fifteen cents on the dollar and forego all interest amounting to four times the principal. A group of New York bankers were to finance the new bond issue by which the money to pay off the English creditors was to be raised.

All the terms of the agreement were conditional upon the assumption by the United States of a degree of supervisional authority over the Honduras Government, similar to the one in the Dominican Republic, and practically identical with the agreement being proposed at the same time for Nicaragua, discussed in connection with that country. A treaty to bring about this end was sent to the United States Senate January 25, 1911. In January of the next year Honduras rejected the proposal of the financiers, and in February the Morgan interests withdrew from the negotiations. Later, another proposal was made by another group of bankers, making the charge per year less and the period of payment longer. Meanwhile, still another group of American banking interests, to meet the urgent needs of the Government, had advanced $500,000 at five per cent., secured by the customs revenue of Puerto Cortez.

Although Honduras has not debauched its monetary system to the degree Nicaragua did by flooding the country with paper money, the monetary conditions are anomalous. Nominally, the country is on a silver basis, but there is little of the national silver in circulation. It contains a slight admixture of gold which makes its export profitable and has had to compete with the cheaper money of surrounding countries. Under the operation of "Gresham's Law," it has practically disappeared from local transactions. To help out the situation, commercial houses issue brass checks which circulate on the credit of the companies that issue them, and in the remoter districts small articles of common use, such as candles, tobacco, matches and safety pins circulate as currency. That business can be developed to any great extent under such conditions is evidently impossible.

The prosperity of the foreign trade depends, even more than in Costa Rica, upon the banana industry. Without it the state would be not only bankrupt, as it now is, but unable to make even the small payment on her obligations which, ultimately, will probably be possible. The United States market for fresh fruit has practically alone kept the state alive. In production of fruit the country has great possibilities. As yet, this development is confined chiefly to the northeast coast, near the ports of Tela, Ceiba and Trujillo, the latter a community unique in its racial composition and its economic arrangements. It is, in fact, almost an independent state composed of as conglomerate a population as is often met. Except on the coast, the people

are Indians, with a small admixture of Spanish blood. On the coast, where practically all the commerce of the region is found, the banana plantations run by American capital have American overseers. The drygoods business is controlled by Turks; other commercial ventures are in the hands of Frenchmen, Italians and Spaniards. The dock hands and laborers on the plantations are chiefly Jamaica negroes, the minority are "Caribs." Off the coast are the Bay Islands, for many years controlled by Great Britain. There English is spoken and the population of the island of Utila is of white race. Economically, this heterogeneous population is entirely dependent upon the banana trade, which in this country has apparently unlimited possibilities of development.[1] A recent British Bluebook declares: "The only limits to the expansion of the banana industry are the capacity of the consumers and the supply of labor on the plantations." Bananas now constitute about fifty per cent. of the exports.

The position of the leading countries in both branches of the foreign trade of Honduras and the steady increase in the foreign exchanges are shown in the following table.

### NICARAGUA

The largest of Central American states is Nicaragua. Its 49,200 square miles of territory make it comparable in size to Louisiana or New York. It is fourteen times the size of Porto Rico and its largest lake has almost

[1] See *Commerce Reports*, Supplement, Feb. 23, 1915, for a good description of the Honduras coast and the banana industry.

SHARES OF LEADING NATIONS IN FOREIGN TRADE OF HONDURAS *
(Fiscal Years Ending August 1)

*Exports from Honduras*

| Year | Value | United States | United Kingdom | Germany |
|---|---|---|---|---|
| | | Per cent. | Per cent. | Per cent. |
| 1903–04 | $2,218,000 | 74.0 | .... | .... |
| 1910–11 | 2,572,000 | 88.0 | 0 | 5.0 |
| 1912–13 | 3,300,000 | 87.0 | 0 | 5.0 |
| 1913–14 | 3,421,331 | 85.0 | 0 | 4.8 |

*Imports into Honduras*

| | | | | |
|---|---|---|---|---|
| 1902–03 | $1,437,000 | 70.0 | 7.0 | 8.0 |
| 1910–11 | 3,019,000 (1909–10) | 70.0 | 13.0 | 8.0 |
| 1912–13 | 5,133,000 | 67.0 | 14.0 | 10.0 |
| 1913–14 | 6,624,950 | 79.4 | 6 9 | 7.7 |

*Compiled from *Reports to the Board of Trade*, cited above; *Statistical Abstracts of the United States for 1911* and *1914*, and *Statistical Abstract*, etc. (British) House of Commons, 1912–13, Vol. 105, Accounts and Papers 57 [cd 6099]; *Daily Consular and Trade Reports*, September 9, 1914, and *Commerce Reports*, July 7, 1915. The trade of 1913–14 was an increase of 22 per cent. over any previous year.

the area of that island; it is almost three times the size of the Dominican Republic.

Though nominally under one government, Nicaragua consists of two sections between which there is little communication and less community of interest.[1] The continental divide, Lake Managua, Lake Nicaragua and extensive forest areas, separate the more fertile coffee and cocoa-growing Pacific slope from the low-lying Atlantic section. So difficult is communication

[1] An excellent survey of geographical and economic conditions in Nicaragua is found in *Commerce Reports*, March 3, 1915. See also Central America in General and Nicaragua in Particular. (Ed.) *Outlook*, 106, pp. 18-23 (1914).

between these regions that persons passing from one to the other usually do so by way of Costa Rica, and the small shipments of freight between the two usually go by way of Panama.

In the Pacific region live at least 75 per cent. of the inhabitants, including by far the larger proportion of those of Spanish blood. The population of the eastern or Atlantic section is composed chiefly of Mosquito and Zambo Indians. Along the coast is a sprinkling of negroes from Jamaica and the other West Indies. There are some Americans employed in the banana industry and around San Juan del Norte a number of English, but Spanish Nicaraguans are few. Taken as a whole, the population is predominantly of Indian blood. The more liberal estimates place the proportion of pure whites at not above one-eighth. Immigration of people born in Europe or America is negligible. Figures of population are no better than shrewd guesses. The total is variously reported as between 500,000 and 690,000.[1] Even at the latter figure the average to the square mile is but little over twelve.

Education is of the most primitive character. Through large districts even the most elementary instruction is practically non-existent. Communication facilities are equally inadequate. Roads are of the crudest kind, many of which appear on the maps being mule trails and unsuited for carts. Even the better ones are often impassable in bad weather, especially during the rainy

[1] *Statistical Abstract of the United States, 1914*, Washington, 1915, p. 688, gives the population as 690,000.

season of the eastern section, which lasts from May to October. There is passably good service by steamboats on the principal rivers, and a beginning has been made in railroad development. Communication by sea is much better than might be expected. Both east and west-coast towns are ports of call for American and European lines. Under such conditions internal development of the country, especially on the Atlantic side, obviously must be slow. Back from the coast and the rivers the country becomes little more than the primitive jungle. Cities, especially in the east, are conspicuously absent. The largest east-coast settlement is Bluefields, a town of about 4,000 inhabitants. Throughout most of the Republic there are practically no industries. Sugar and native rum factories are found in the western section, but these, with the exception of an electric light plant at the capital, a nail factory and a few establishments making ice, shoes and soap, are the measure of the industrial development of the country. With its population chiefly of Indian blood, its poor educational system, its inadequate communication and primitive industrial development, it is not surprising to find Nicaragua less prosperous than some of its neighbors.

Few countries have had a more troubled political history. The people have been a prey first to anarchy and then to tyrants. To go no further back than 1894 we find the following extraordinary record. In the ten years from 1900 to 1910 there were sixteen revolutions. From 1894 to 1910 José Santos Zelaya kept himself the most prominent figure in the country's poli-

tics.[1] Under his tyrannical power a systematic policy of terrorization was followed. Concessions were sold for almost any privilege, which international gambler-investors would buy. The press was under strict censorship. Taxes, both on imports and exports and different for ports on the two coasts, became constantly more and more oppressive. Another revolution broke out in 1910 which received the diplomatic support of the United States, and Zelaya was finally forced to resign. Madriz succeeded him as President. Other disturbances followed, and the necessity for more than diplomatic intervention increased.

The year 1912 was marked by an unprecedented degree of intervention in Nicaraguan affairs by the United States. Though landing of troops to protect property had been frequent, the internal affairs of the Government had previously not been interfered with; but this was no longer to be the case.[2] A note from the United States to Nicaragua had declared: "The policy of the Government of the United States is to take the necessary measures for an adequate legation guard . . . to keep open communications and to protect American life and property." This statement was issued after 125 planters in one region, besides many other American citizens, had appealed for aid.

The Nicaraguan Government, through its Foreign Minister, had declared it could not give protection, as all the troops were needed for putting down the rebel-

[1] Palmer, Frederic, Zelaya and Nicaragua, *Outlook*, 93, pp. 855-9.

[2] Brown, P. M., American Intervention in Central America, *Jour. of Race Development*, vol. 4, pp. 409-27.

lion. He had suggested that the United States act. He used the following significant words: "My government desires that the government of the United States guarantee with its forces security for the property of American citizens in Nicaragua and that they extend this protection to all the inhabitants of the republic." The last portion of the declaration is especially significant. In the request for intervention the representatives of foreign powers concurred.

In the late summer of 1912 troops were landed; protection was given to the railway property and the government in power was assisted in putting down the revolution by aid in the capture of several disputed towns.[1] On September 25, Admiral Southerland accepted the surrender of Mena, one of the chiefs of the revolution, with 700 men. Another leader was attacked, and with his army of 800 men driven into Costa Rica. In all, about 2,600 Americans had taken part in the operations. In October, 1912, the withdrawal of United States troops was begun and by December all had departed with the exception of a legation guard of 400 men. This guard, later reduced in numbers, has continued to stay in the country in the interest of public order. The force numbered approximately one hundred men in 1915. General Mena was detained in the Panama Canal Zone until April, 1913, when his release was ordered by President Wilson. He returned to Nicaragua and unrest again became evident. A state of siege for sixty days was declared in

[1] A brief summary of these operations is found in *Report of the Secretary of the Navy, 1913*, Washington, 1913, p. 34.

February, 1914, but not brought to an end until October 11, 1914. United States forces were landed at Bluefields on August 14 and the government was kept in power only by their presence. Meanwhile, the Administration fell into financial straits and declared itself unable to pay foreigners the $1,000,000 which became due in January, 1915.

Nicaragua, like its sister states, labors under a heavy debt, partially due to the disturbed political conditions which keep chronic disorder in the Republic. Not so great as that of Honduras, it is nevertheless beyond the ability of the impoverished state to pay.

Nicaragua, or at least a portion of the educated class, cannot fail to recognize that the problems which confront the Government, especially those involving finance, are too difficult for it to solve. The ex-President Estrada, it is reported, when asked, "Do you want a sort of American protectorate?" replied, "Yes, a protectorate along the lines exercised in Cuba and Panama without, of course, impairing sovereignty. We want the United States Government, whether it be Republican or Democratic, to keep an eye upon us, to supervise our elections, in a word, to become an arbiter of our destinies." The Taft Administration expressed the attitude of the United States by declaring that the United States "will lend its strong moral support to the cause of legally constituted good government for the benefit of the people of Nicaragua. . . . The United States has a moral mandate to exert its influence for the preservation of the general peace of Central America." To help Nicaragua out of her chronic diffi-

culties and to make possible for the country a development commensurate with its natural resources, both the Taft and Wilson Administrations have sought to extend to the Republic the substantial aid of the United States. The degree to which this desire has taken the form of giving military support to the government constitutionally in power has been already indicated.

Contemporaneously, efforts have been made to bring about an agreement which will make possible a supervision by the United States similar to that already established in the Dominican Republic. A proposed treaty was signed May 6, 1911, and submitted to the Senate by President Taft in June. It provided, in brief, that we should aid in the refunding of the national debt and that the loans thus created should be secured by the customs receipts. From a list of names approved by the President of the United States, a collector-general of customs was to be appointed who should administer the customs in accordance with the loan contract. Nicaragua ratified the treaty, but the United States Senate adjourned without voting upon it. New negotiations were undertaken but nothing definite was accomplished in the remaining days of the Taft Administration.

The advent of the Wilson Administration did not change the attitude of the Government toward the proposed Nicaraguan settlement. It announced May 30, 1913, that it would follow the revised Taft programme. The protectorate plan under a new form was submitted to the Senate July 20, 1913. Opposition to certain provisions brought a change in its terms, and it was redrafted and again submitted August 12, 1914. The

treaty now provided that we should pay to Nicaragua $3,000,000. In return we were to receive the exclusive right to construct a trans-Isthmian canal by the Nicaraguan route, control by lease for ninety-nine years of Great Corn and Little Corn Islands off the east coast, and of a naval base on the Gulf of Fonseca. The United States was to be free to renew the lease for a similar further period.

The Nicaraguan legislature, by unanimous vote, expressed its approval of the plan and the Committee on Foreign Relations of the United States Senate reported it favorably on December 16, 1914, but Congress again adjourned in March, 1915, without taking action. A general protest against this form of treaty was made in Central America, more especially because of the naval positions it was proposed to give to the United States, and because the plan would be an obstacle to Central American union.

Early in 1916 the treaty again came up for consideration and on February 18 was ratified by the Senate. In order to meet objections of the Central American states because of alleged infringement of their rights, the Senate added an amendment declaring it to be understood that the convention was not "intended to affect any existing right of any of the said named states."[1] Shortly after the approval of the treaty by the United States Senate Costa Rica was reported to have brought suit against Nicaragua in the Central American Court of Justice because the agreement violated her rights.

[1] The text is found in Senate—In Executive Session, Executive DD, 63-2, 64th Cong. 1st Sess.

While these negotiations were going on, the actual finances of Nicaragua were the subject of discussion with private individuals. Passable order, thanks to the intervention of United States troops, was being established; but the need of at least a temporary advance of money, pending the conclusion of the treaty, was ever more insistent. Without some aid in the administration of customs and in the reform of finances, it was evident that the country would fall into a condition of general anarchy. There were reported in 1911 to be upward of 49,000,000 pesos in circulation and the exchange rate against gold varied from 755 to 1,975 per cent. in the years 1907 to 1911.[1] In the country districts even the almost worthless paper did not circulate, and what business was done was carried on by the exchange of articles of common use. Early in 1912 a temporary loan amounting to $1,500,000 was made by New York banking interests and later a further advance was granted amounting to $755,000. A claims commission was appointed to adjust the various debts alleged to be owed by the state.

Nicaragua, at the suggestion of the bankers who made the loans immediately needed, placed C. D. Ham, formerly collector of customs at Manila, in charge of the administration of import duties until a treaty was secured. Arrangements were perfected by which a bank incorporated in Connecticut, the majority of the stock of which was held by New York firms, was to aid in rehabilitating finances. A new currency system was

[1] *Reports to the Board of Trade,* cited above. There is also a good summary account of the loan negotiations.

elaborated by Mr. C. A. Conant, of New York, and Mr. F. C. Harrison, of London. The transformation of the currency was put under way during the year 1912. Over $6,000,000 in paper pesos were burned in that single year. The bank began operation in 1913.

Under the informal agreement, without treaty, customs receipts at once started to rise and by the 15th of November, 1913, there was a gold reserve amounting to forty per cent. of the then outstanding paper.[1] By the end of 1913 paper money in the amount of $37,300,000 worth had been turned in at the rate of eight and one-half to one "cordoba," the new monetary unit, which is the gold equivalent of the American dollar. This process has now been completed and Nicaragua is on the "gold standard." [2]

In October, 1913, the two New York banking firms which were carrying through the financial reorganization issued a statement, "with the sanction of the Secretary of State of the United States," outlining the position in which they then stood. They had purchased 51 per cent. of the stock of the Pacific railways of Nicaragua—the only railway—and of the stock of the National Bank of Nicaragua. Nicaragua owns the balance of the stock in each case. Loans had been advanced for which the customs were taken as a lien, subject only to the claims of some previous obligations. Their contract with the Government required that the

[1] *Fortieth Annual Report of the Council of the Corporation of Foreign Bondholders, for the year 1913,* London, 1914, p. 242.

[2] Ham, C. D. Americanizing Nicaragua, *American Review of Reviews, 53,* pp. 185-191 (1916).

customs revenues should continue to be delivered into the hands of an American Collector-General, recommended by the bankers. In the two years of American management of the customs, the receipts had doubled. The railways were also to be operated by an agent of the bankers. Two members of its Board of Directors were to be nominated by the Minister of Finance of Nicaragua, and the Secretary of State of the United States "had the privilege of appointing one." [1] This latter appointee acts as railroad examiner and makes confidential reports to both Governments.

Though these informal agreements, not supported by treaty with the United States, but evidently given the backing of the Executive, seemed to be opening up an avenue of escape from the former intolerable conditions, the country was not at rest. President Adolfo Diaz, who kept control, it was alleged by his enemies, only because of American support, had to declare a state of siege for 60 days in February, 1914, as stated above, and a threatened revolution brought the landing of American marines. Without some more formal agreement than the one arranged by the bankers, with the approval of the United States Executive, order apparently is not assured. The war in Europe added further to the state's troubles, and Mr. Ham on a visit to the United States in April, 1915, reported that there was great disappointment in Nicaragua over the failure of the treaty, and that the country, without the aid of

[1] For further details see *Fortieth Annual Report of the Council of the Corporation of Foreign Bondholders, for the year 1913*, London, 1914, p. 239.

the United States, would be unable to escape bankruptcy. It is to be hoped that the treaty with the United States may bring the looked-for peace.

The foreign trade reflects the undeveloped condition of the country.[1] Though it is fourteen times as large as Porto Rico, its foreign exchanges total less than one-sixth as much as those of the island. The trade lies in the control of four countries as indicated by the figures below:

SHARES OF LEADING NATIONS IN FOREIGN TRADE OF NICARAGUA[1]

*Exports from Nicaragua*

| Year | Value | United States | United Kingdom | Germany | France |
|---|---|---|---|---|---|
| | | Per cent. | Per cent. | Per cent. | Per cent. |
| 1904 | $3,926,000 | 53 | 12 | 13 | .. |
| 1910 | 4,556,000 | 34 | 14 | 18 | .. |
| 1913 | 7,712,000 | 35 | 13 | 24 | 22 |

*Imports into Nicaragua*

| | | | | | |
|---|---|---|---|---|---|
| 1902 | $1,273,000 | 55 | 18 | 11 | .. |
| 1910 | 2,864,000 | 55 | 23 | 12 | .. |
| 1913 | 5,768,000 | 56 | 20 | 10 | 6 |

[1] Compiled from *Reports to the Board of Trade*, cited above; Commerce Reports, March 3, 1915; *Statistical Abstract of the United States* for *1912* and *1914*, and *Statistical Abstract* (British), cited above.

Among imports the most important items are textiles and foodstuffs. The United States has practically a monopoly of the latter, and occupies first place in all the

[1] *Commerce Reports*, March 3, 1915. The total in 1913 was $13,482,053 in Nicaragua, that of Porto Rico was $86,003,627. This year shows an unusual total, due to the fact that the political disturbances of the year before prevented the marketing of much of the coffee crop.

other items except textiles, which come largely from Great Britain.

The chief economic resources of the country, available as exports, are coffee and bananas, which correspond in a general way to the purchases of European countries and the United States and to the exports from west-coast and east-coast ports. Coffee forms about two-thirds of the exports. It finds its chief market in France, with Germany as the next competitor.[1] Gold is exported, chiefly to the United States. From the east coast there are large shipments of bananas, all going to the United States. The banana is, in fact, the principal agricultural product of the eastern region though coconuts are gaining some importance. With the exception of bananas and cassava, the greater portion of the food supply of this region comes from our ports.

A discussion of Central American affairs ought also to include at least a brief mention of the Central American Court of Justice. At the instance of Mexico and the United States, a protocol was signed in Washington, September 17, 1907, by representatives of the five Central American states proposing to enter into an agreement "to settle upon the means of preserving the good relations between the said Republics and of obtaining an enduring peace in those countries." At the ensuing meetings,[2] which were attended by representatives of the five states and unofficial representatives of Mex-

[1] *Commerce Reports*, Oct. 9, 1915.

[2] Scott, J. B., The Central American Peace Conference of 1907, *Amer. Jour. of Int. Law*, Vol. 2, pp. 121-44 (1908).

ico and the United States, a number of agreements were made, the most important of which was one establishing a Court of Justice to which the Central American republics bound themselves to take "every difference or difficulty that may arise amongst them of whatsoever nature it may be." Honduras, the keystone state of the region, declared its "absolute neutrality in event of any conflict between the other Republics" and the other republics bound themselves to observe the neutrality of Honduras on condition that she did herself. An additional treaty bound all the states not to take part in the civil wars of their neighbors. Still another agreement created and outlined the jurisdiction of the Central American Court of Justice.[1]

Subsequently, the court was established at Cartago, Costa Rica. It was heralded as the first court of nations, to the bar of which any of the parties signatory might be brought, even in cases "involving national honor." It is unnecessary to say that the court has not fulfilled the fond expectations of its friends. The cases so far brought before it have been of minor importance. The states through which it was established are themselves too unstable to give its decisions the prestige that will assure acquiescence. Under Central American conditions such an organization, well intentioned and earnest though it be, is apt to remain a body that will frequently enunciate the counsel of perfection, but seldom the law which commands obedience.

[1] These treaties are found in Malloy, W. M. *Treaties, Conventions, International Acts, Protocols and Agreements between the United States and Other Powers,* Washington, 1910, p. 2391, *et seq.*

### AMERICAN INTERESTS

A survey of the connection of the United States with Central American affairs shows the same problems appearing in all the states. There is, first of all, the fundamental question of the protection of life and property, a function of government which these states have in the past been unable efficiently to perform and one still apparently beyond the power of most of them. The United States will be under the necessity of frequently deciding in the future, as it has done in the past, whether it will stand upon the technical doctrine of equality of states laid down by international law, or assume the duty of supervising these countries to insure order. The policy of the United States may differ with changing Administrations and the question may be raised as to which is best to follow. In cases involving its own citizens, the decision will be one which, though international, will be so only in a limited sense —the question will include the particular Central American state and the United States only. In cases involving the lives or property-interests of citizens of European, or other foreign powers, the United States will have to keep in view broader policies. These cases will also be international, but will involve a consideration of the general position of the United States in American politics. The United States will have to decide the extent to which it is willing to allow other countries a free hand in their relations with the weaker American states. These questions will not arise in Central America alone. They have been frequently raised

elsewhere—witness, for example, the incidents in Venezuela, the Dominican Republic and Haiti, to cite only the more prominent recent instances. Such cases involve not only the narrower international questions, but a decision as to what shall be considered allowable under the national policy of the United States, "America for Americans." Will it allow forcible collection of debts, even under the conditions sanctioned by the Hague rules of 1907? Will it allow such punitive expeditions to take the form of demands for payment of amounts which it considers unjust; or the "temporary" occupation of territory in which taxes will be collected to satisfy claims, whether the control of this territory involves merely the customs houses, ports or more extensive areas?

The practice of the United States in the past has been one which shows no intention to abandon the general policy of looking with disfavor upon interference by non-American states. But whether the policy of relying upon prestige to carry through any situation which may arise is a good one is at least open to question. Should important disagreements arise, when its efforts were demanded to the full in some other direction, the United States might find it difficult or impossible to insist on the observance of its historic position. It might be a wise and excellent policy to so shape its relations with these neighboring states that the occasions for foreign interference with their affairs would be made as few as possible. The United States might avoid having great responsibilities thrust inopportunely upon it by continuously assuming a small degree of responsi-

bility in maintaining order within their borders. By assuming supervisory authority over their financial affairs to the extent that no foreign loans should be contracted by Central American States beyond their ability to pay; that resources pledged to the payment of certain national obligations shall be applied to those ends; and that property in industrial enterprises shall not be subjected to arbitrary interference, or confiscation, the United States might find in the long run less, rather than greater, responsibilities. It is an application to international affairs of the old proverb that prevention is better than cure, already employed in the relations of the United States with Cuba, Panama, Haiti, and, in a minor way, with the Dominican Republic.

There are also to be considered the conditions forced upon the United States by the development of modern imperialism. If it is to continue one of the great commercial powers, it is reasonable to say that it must adopt national programmes similar to those of the great nations of Europe. Like them, it must spy out fields for the investment of its surplus capital; and what more available field than the countries directly south? It must foster diplomatic agreements that will promote the prosperity of its foreign trade; and such agreements with its near neighbors will be of undoubted advantage, especially when they are nations that will buy heavily of its manufactured products and sell raw materials.

These trade interests, under the conditions now existing in the world, should be further protected, the imperialistic argument runs, by adequate provision for open international communications at all times, which means

a strong navy with the possession of satisfactory naval bases. This is another reason why the United States should seek to conclude agreements which will put it in a stronger position in Central America. That the importance of these considerations is appreciated by the Government of the United States is shown by the negotiations for territorial bases on both Atlantic and Pacific coasts.

These developments seem to run counter to the "splendid isolation" which, since the early days of its national life has been to the minds of many people a corollary of the fundamental doctrine of the foreign policy of the United States. England once boasted of a similar position, but has now abandoned it for a system of written and unwritten alliances. The argument against "entangling alliances" still meets a hearty response in the United States as it did when Washington made his farewell address. But it is a question whether foreign relations, under present conditions, are more "entangling" without a series of agreements giving the United States formal supervisory power over the weaker Caribbean countries than they would be with such conventions.

A review of the cases in which we have actually intervened, without formal agreement, to keep order in Central America shows that our relations are already far from lacking the possibilities of entanglements. If we had a recognized duty instead of an assumed authority upon which to act, it may well be that the occasions for remedial action could be, in large part, removed by preventing their occurrence. At the same time, the exer-

cise of authority, when necessity forced it, would be shorn of the irritation it now causes in the states where it is exercised.

That there are serious responsibilities with the danger of abuses in such a policy, it is needless to deny. But strong men and nations do not hold back from duties and opportunities as they present themselves, through fear of responsibilities, or the possibility of abusing power. The strong progressive nations assume responsibilities and take pride in their ability to hold true the balance between themselves and the weak. No finer opportunity comes to any nation than this—to help in bringing even-handed justice to peoples less fortunate. Such a policy does not mean, at least of necessity, annexation nor a permanent relation of inequality. The imperialism of the United States need not follow, the popular opinion is against its following, the standard set by foreign nations. The enthusiasm for colonies shown by countries "seeking for interests to protect" has left the United States unaffected. If it had not done so, there would now be no international Central American problem. This New-World imperialism may have, to a degree, the same economic object as that of European nations—to insure field for national developments, to protect and foster the interests of its citizens the world over—without adopting the policy, traditionally used, of crushing out local sovereignty.

The expansion of the power and the interests of the United States in the Caribbean may be perfectly consistent with the independence of Caribbean communities. That it will be so is argued by our past perform-

ance. It is quite probable that an increasing supervision of these weaker countries by the United States will be necessary and be requested. It is also not improbable that here may be slight extensions of American possessions, especially the acquisition of naval bases; but such acquisitions may be peaceful and to the advantage of the weaker nations as well as the United States. It is quite unlikely that the United States will adopt an aggressive territorial policy, unless the very policy of "America for Americans," which lies back of present developments, be overthrown. The increase of the power and influence of the United States is the strongest guaranty of the independence of the nations of the Caribbean. They may come to stand toward us, temporarily at least, in a position of *de facto* inequality, some may ultimately disappear by union with us, but without us few would be destined long to continue as independent states.

# CHAPTER XI

## THE PANAMA REVOLUTION AND PANAMA TOLLS

### I. THE PANAMA REVOLUTION

THE history of the relation of Panama to Colombia is a turbulent one. The Isthmus won its freedom from Spain independently, but fearing that its own forces would be insufficient to maintain independence, it joined the larger republic, which had already established its *de facto* independence under Bolivar. The bond between the two was never stable and Colombia was never able to establish order effectually. Insurrections were frequent and often no attempt was made by the central government to put them down. The right to leave the loose union of states which formed Colombia was, for part of the time, recognized and by several states acted upon.

In 1885, a new constitution was adopted by executive decree which, it was alleged, arbitrarily destroyed this right of secession; "the sovereign rights of the isthmus were terminated without its consent and it was reduced to the status of a crown colony without representation in Congress."[1] But after 1885 Panama con-

[1] See documents appended to speech by J. Hampton Moore, in *Congressional Record*, 63rd Cong. 2d Sess. Vol. 51, Part 17, Appendix, p. 743. See also *Diplomatic History of the Panama Canal*, 63rd Cong. 2d Sess. 1913-14, Sen. Doc. Vol. 15.

tinued to be a part of Colombia. The state had no independent foreign relations. Her constitutional rights may have been violated but that was a question which foreign nations could not consider in treating with Colombia concerning the grants to be obtained on the Isthmus.

In a large way, the center of Panamanian politics has never been any local policy but a problem the solution of which necessarily involved aid from outside the Isthmus. The greatest asset of the region is no natural resource as that word is commonly used, but a physical characteristic of the country, the fact that in it is found the narrowest strip of land in the Americas separating the Atlantic and Pacific oceans. Here, since at least as early as the middle of the sixteenth century, the governments and engineers of the world had been planning the construction of a great artificial waterway which would revolutionize the course of the world's commerce. The northwest passage, which many of the early voyagers sought in vain, never materialized and the route around South America by Cape Horn or the Straits of Magellan was long and arduous.

If only an opening could be made at the Isthmus, the west coast of North America and all but the extreme southwestern coast of South America would be brought nearer to the best European markets, and these markets would have another way in which trade could pass to the even more distant ports of Australia and the Far East. With the earlier unsuccessful attempts to realize this dream we are only incidentally concerned. Most of them never became serious projects and the

later efforts to build a canal made by the French failed because of the then too great engineering difficulties, the insufficient knowledge of medicine and sanitation, the lack of capital, and the corrupt use of the resources at hand.

The country which has been most actively interested in the building of the canal has been the United States. After the acquisition of Oregon and California the republic was possessed of coasts on the Atlantic and Pacific with which communication was important but highly difficult. The long stretch of uninhabited territory separating the East and West made freight transportation between the two by land practically impossible and passenger traffic before the building of the transcontinental railroads slow, trying, and not without danger. It was only natural, therefore, that our people should have an increasing interest in the improvement of all means of communication which would facilitate exchange between the two coasts. Central American and Isthmian projects for transportation facilities received attention. As early as 1846 a treaty was made with Colombia, then known as New Granada, giving us a right of transit over the Isthmus of Panama. Three years later we entered an agreement with Nicaragua concerning a ship canal to pass through that country. Plans for canals by both routes remained active projects up to our own day.

In Panama, politics, except as they involved local contests between leaders of the various factions, turned about canal schemes, and Colombia, of which the province of Panama was a part, realized increasingly that

the building of a canal would have a great effect upon her own advance and that the canal route might well be considered her greatest single economic asset. But so important a trade route was not merely a local affair, it involved the interests of the world at large as well. Colombian politics concerning Panama became, thus, an object of interest of international, as well as local, importance.

This fact became evident to a greater degree than ever before with the changes in commercial and political control at the beginning of the twentieth century. The United States had come out of the war with Spain an Asiatic, as well as an American, power. The naval operations of that war had shown at what disadvantage a country like our own works when its two coasts are separated by thousands of miles of ocean. The Pacific and Atlantic sections of our fleet were so far apart in point of time that effective coöperation between the two was impossible. Our foreign trade was rapidly growing, making our interest in the world's ocean-trade routes greater. In the Caribbean itself the new political interests which came to us on account of the changes involved in the conflict with Spain and following that struggle also contributed to our interest.

On January 20, 1902, Congress in response to the popular interest in the canal projects authorized President Roosevelt to start the construction of the canal at Panama if certain conditions were fulfilled. The rights of the French company which had been unable to complete the waterway were to be acquired and the consent of Colombia to our undertaking the work was

to be obtained. Unless satisfactory arrangements could be made, the Government was to undertake the building of a waterway by the Nicaraguan route.

It was ascertained that the rights of the French company could be purchased on satisfactory terms. To secure the consent of Colombia, the Hay-Herran treaty[1] was negotiated providing for a cash payment of $10,000,000 and an annual payment of $250,000 as rental as the price of the concession. The rental payments were to begin nine years after the ratification of the agreement. The United States Senate gave its approval to the plan on March 17, 1903, but it was rejected by the Colombian Senate on August 23, 1903. It was intimated that they would ratify the agreement if the payment were raised from $10,000,000 to $25,000,000, but this change the United States would not accept. Colombia was anxious to make the best bargain possible in selling the canal route, a position which many regarded as indicative of a desire to "hold up" the United States. On the refusal to pay the higher amount Colombia retreated behind the excuse that the cession involved could not be made "constitutionally," a claim which was on its face a pretense, since for a higher payment she had indicated she would make the transfer.

The effect of the Colombian rejection of the treaty upon the representatives of the French canal company and upon the people of Panama was unmistakable. The French company saw that if the United States were

[1] The text is in *Diplomatic History of the Panama Canal*, 63rd Cong. 2d Sess. 1913-14, Senate Documents, Vol. 15, Appendix pp. 277-88.

forced to adopt the Nicaragua route it would completely destroy the value of their property at Panama. Even delay in making the arrangements might bring the same result, for they were evidently unable to carry on the work themselves and their concession was to lapse in October, 1904.[1] It seemed to them, therefore, that even if the canal were ultimately to be built at Panama, any long-drawn-out negotiations would bring the forfeit of their rights to Colombia which would then exact from the United States not only the payment mentioned in her unratified treaty, but also a payment for the assets of the French company which would have come into her possession. Under such circumstances the agents of the company became very active both on the Isthmus and in New York in taking measures to secure a break between the province of Panama and Colombia which might turn events to the advantage of the concessionaires.

To the Panamanians the result, if the canal project fell through, would be not less serious. That there could be two Isthmian canals was a possibility not to be considered. If the United States went to Nicaragua it would mean that Panama would be a languishing province out of the course of world trade, whose trans-Isthmian railroad, which had brought prosperity in the past, would be allowed to rust to pieces or would keep up a precarious existence on the profits of a small local traffic. Their interests were, they felt, absolutely op-

[1] The company claimed that it had an extension until 1910, but its legality was under question. See *Congressional Record*, March 1, 1912, p. 2653, for discussion by Senator Hitchcock.

posed to the action of the mother country. It seemed to them that the mother country was trying to use their resources as a means of income for the government of Bogota rather than as a means of increasing local prosperity and making Panama a community which could profit from the world's trade which would pass through her ports.

The unity of interests and opinion between the greatest economic investment in the province and the public, so far as there can be said to have been a public with a formulated opinion in the province, was bound to bring an expression of dissatisfaction with the rejection of the treaty. Their desires for a change in public policy coincided further with those of the Administration in Washington. Under such conditions, the outbreak of a "revolution" was almost a certainty.[1]

President Roosevelt was greatly disappointed at the action taken by Colombia and had prepared a rough draft of a message advocating that since "the situation had become intolerable, . . . in pursuance of our duty to ourselves as to the world we should begin the building of the canal" [2] in spite of Colombia's refusal to ratify the treaty. But events were developing on the Isthmus which indicated that no such announcement would be necessary. Mr. Roosevelt thus describes the

[1] The attitude and acts of the Washington Administration during the latter half of 1903 are detailed in two messages of President Roosevelt to Congress, of Dec. 7, 1903, and January 4, 1904. See *The Panama Canal*, 63rd Cong. 2d Sess. Sen. Doc. Vol. 27, Doc. 471, for these and other documents on this subject.

[2] Roosevelt, Theodore, How the United States Acquired the Right to Dig the Panama Canal, *Outlook*, 99, pp. 314-18 (1911).

situation: "The people of Panama now found themselves in a position in which their interests were identical with the interests of the United States. . . . There was no need for any outsider to excite revolution in Panama. There were dozens of leaders on the Isthmus already doing their best to excite revolution. . . . Every man who read the newspapers knew that with the failure of Colombia to ratify the Hay-Herran Treaty revolutionary attempts became imminent on the Isthmus. . . . The papers published on the Isthmus themselves contained statements that these revolutions were about to occur. It appeared that . . . hundreds of stacks of arms were being imported, that the government forces in Panama and Colon were themselves friendly to the revolution."[1] Army officers fresh from the Isthmus gave confirmatory reports. They believed the uprising would follow immediately on the adjournment of the Colombian Congress, in October, without ratifying the treaty. On the Isthmus it was believed that the revolt would not come before October 20, because not until then could sufficient arms and ammunition be secured. Even this estimate, events proved, placed the date too early.

Meanwhile, the conspirators in Panama were organizing and their representatives in New York were feeling out official and public opinion and planning the moves to be taken when the "revolution" should actually occur. The degree to which matters had been arranged previous to the outbreak is shown in a letter by Dr. Amador, later the first President of Panama, written to

[1] *Ibid.*, p. 317.

his son on October 18, 1903, two weeks before the revolution actually started, a portion of which runs as follows, "The plan seems to me good. A portion of the Isthmus declares itself independent, and that portion the United States will not allow any Colombian forces to attack. . . . An assembly is called and this gives authority to a minister to be appointed by the new government in order to make a treaty without need of ratification by that assembly. The treaty being approved by both parties, the new Republic remains under the protection of the United States, and to it are added the other districts of the Isthmus which do not already form part of the new Republic and these also remain under the protection of the United States. . . . In thirty days everything will be concluded."[1] How accurately the conspirators were informed of the probable course of events and how closely they were in touch with the Washington Administration, the subsequent history of the revolution proves.

Amador left for Colon shortly after writing the letter quoted, whence he telegraphed to Bunau-Varilla, the agent of the revolutionary junta in New York on October 29, "We have news of the arrival of Colombian forces on the Atlantic side within five days. They are more than 200 strong. Urge warships Colon." On the following day the commander of the *Nashville* at Kingston, Jamaica, received a secret cipher telegram from the United States Government which read in part as follows: "Proceed at once to Colon. Telegraph in cipher

[1] Extracts from the letter as published in *Congressional Record*, March 1, 1912, p. 2654.

the situation after consulting with the United States consul." American warships had, in fact, been ordered held in readiness to go to both the Atlantic and Pacific sides of Panama from the day before Amador left New York for Colon. On November 2, 1903, telegrams were sent to the commanders of the *Dixie* and *Nashville* on the Atlantic side with orders to give copies to the commander of the forces on the Pacific side which read in part: "Secret and confidential. . . . Maintain free and uninterrupted transit. . . . If interruption threatened by armed force occupy the line of railroad. Prevent landing of any force with hostile intent, either government or insurgent either at Colon, Porto Bello or other port. . . . Government force reported approaching the Isthmus in vessels. Prevent their landing if in your judgment this would precipitate a conflict."[1] These orders for landing, President Roosevelt declares, "were precisely such as had been issued again and again in preceding years—1900, 1901, and 1902, for instance"—under the provisions of our treaty with Colombia by which we assumed certain duties in maintaining order on the Isthmus.

The *Nashville* with American marines came to port at 5:30 P. M., on November 2. The Colombian troops, five hundred strong, arrived and disembarked at Colon. There was still no revolution. The Department of State at Washington telegraphed on November 3, "Uprising on Isthmus reported. Keep Department promptly and fully informed," to which the reply came

[1] These telegrams are printed in *Congressional Record*, March 1, 1912, p. 2655.

the same day, "No uprising yet. Reported will be in the night. Situation is critical." Meanwhile, the commander of the Colombian forces sought to obtain railway passage for his troops across the Isthmus, but was refused. He himself crossed to Panama to arrange matters but was thrown into jail. The second in command then threatened to seize cars by force and cross. A "reign of terror" and "killing all the American citizens in Colon" are said to have been threatened. Marines were landed from the United States vessels in the harbor and order enforced. Subsequently, the commander of the *Nashville* persuaded the leader of the Colombian troops to reëmbark his forces and sail back to Colombia.

While these events were going on, the bloodless revolution of November 4 took place at Panama. Mr. Roosevelt declared, "With absolute unanimity the people of the isthmus declared themselves an independent republic and offered immediately to conclude with our government the treaty which Colombia had rejected, and to make its terms more favorable to the United States. . . . We recognized the Republic of Panama. Without firing a shot we prevented a civil war." [1]

Whether Colombia could have reconquered her unwilling province must always remain a matter of doubt. That any attempt to do so would have resulted in a bloody conflict in which both local and foreign interests would have suffered severely is unquestioned. The attempt, if successful, would have reëstablished, Mr.

[1] Roosevelt, Theodore, How the United States Acquired the Right to Dig the Panama Canal, *Outlook*, 99, p. 317 (1911).

Roosevelt asserts, "the anarchic despotism of the preceding fifty years—inefficient, bloody and corrupt. The other course was to let our foes pay the penalty of their own folly and iniquity and to stand by our friends. . . . Of course we adopted the latter alternative." [1]

The revolution accomplished, the formal arrangements for the support of the United States were rapidly pushed through. The independence of Panama was recognized on November 13, 1903. The treaty with the United States was concluded November 18, 1903, by Philippe Bunau-Varilla for Panama and Secretary of State John Hay for the United States. Its chief provisions are: The United States guarantees the independence of Panama and agrees to pay $10,000,000 in gold on exchange of ratifications and to make an annual payment of $250,000 in gold during the life of the treaty, the first payment to be made nine years after the date of ratification. In return, Panama "grants to the United States in perpetuity the use, occupation and control of a zone" ten miles wide on which the canal is to be built. In this territory the United States has the powers it "would possess and exercise if it were the sovereign of the territory." In addition, the United States may assume control of other territory convenient for the purposes of the canal.[2]

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[1] *Ibid.*

[2] Text is in Malloy, W. M. *Treaties, Conventions, International Acts, Protocols and Agreements between the United States and Other Powers,* Washington, 1910, Vol. II, p. 1349, *et seq.* The agreement was ratified by the Senate of the United States, February 23, 1904.

Panamanian politics have been uneventful since the revolution and the recognition of independence. The payments made under the treaty by the United States have minimized the importance of that element so troublesome throughout Central America—the problem of public finance. The elections are orderly. The United States has been asked by both parties on occasion to "supervise" the balloting to prevent possible controversy. The small area in which a large proportion of the population lives and the closeness of connection between the canal management and local governmental developments assure that public order will seldom be seriously disturbed and that the government will in all probability not be confronted by serious problems following bad management of public affairs.

Commercially, Panama shows the same characteristics as her neighbors to the north so far as the trade of the native population is concerned. Her imports for these people are of the basic foodstuffs and the manufactures used by a people of a low standard of life. In addition, however, there is a large commerce due to the transit trade and to the construction work done on the Panama Canal. This trade goes chiefly to the United States. In the twelve months ending December, 1915, exports from the Republic to the United States were valued at $4,655,736. Imports reached $20,985,896, a figure less than that of previous years,[1] due to the completion of the greater part of the work on the Canal with a consequent withdrawal of the working force. Even exclud-

[1] *Monthly Summary of Foreign Commerce of the United States*, December, 1915, p. 56.

ing the Canal Zone trade, about eighty-five per cent. of the exports go to the United States and about fifty per cent. of the imports come thence. This foreign trade, exclusive of that with the Canal Zone, is valued at about $12,000,000 yearly.[1]

## II. THE PANAMA TOLLS

It has already been pointed out that Panama is a republic, the position of which is of more than usual importance to other nations of the world. The completion of the canal has brought this fact vividly to attention in the so-called "tolls controversy." This is not strictly a Panamanian problem, since after the treaty with the United States Panama has no control over the problems which involve the canal and its operation. It is one of the most important political questions which have recently arisen concerning the Isthmus. What are the rights of Great Britain and the United States is determined by the treaty relations between these two powers, not by any agreement to which Panama is a party. To be sure, Article 18 of the Hay-Bunau-Varilla treaty provides that the canal shall be opened on the terms of the Hay-Pauncefote treaty of 1901 between Great Britain and the United States, but it does not attempt to construe the rights outlined in the latter convention.

The history of Anglo-American relations as to Isthmian Canals is long. It turns chiefly about two

[1] *Statistical Abstract of the United States, 1914*, Washington, 1915, p. 688.

treaties, the Clayton-Bulwer treaty of 1850 and the Hay-Pauncefote treaty of 1901. The former was negotiated at a time when the United States was looking with anxiety at the growing influence of Great Britain in Central America. By it Great Britain and the United States entered into an agreement to abstain from efforts to secure exclusive control for the purpose of building a canal, over any part of Central America. The citizens of each were to enjoy on any canal which might be built the privileges enjoyed by the citizens of the other. In any other trans-Isthmian communication also they sought to "establish a general principle" of neutralization. Article 8 declares "the same canals or railways being open to the subjects and citizens of Great Britain and the United States on equal terms, shall also be open on like terms to the subjects and citizens of every other state which is willing to grant thereto such protection as Great Britain and the United States engage to afford."

The proposed canal was to be built by private enterprise, neither state was to seek to control the route, the adhesion of other states was to be invited and equality of treatment secured for the citizens of all countries. This treaty was replaced by the Hay-Pauncefote treaty in 1901. By that time the possibility of the construction of the canal by a private company had become remote and the United States Government sought to obtain a new agreement by which it might itself undertake the work. The new instrument is not without ambiguous clauses and these have given rise to the disagreement between American and English official opinion.

The chief provisions of the Hay-Pauncefote treaty, so far as they involve the question of tolls, may be summarized as follows:[1]

The new treaty supersedes the Clayton-Bulwer agreement and allows the United States to construct the canal directly or by means of private companies working under its auspices. The United States adopts as the basis of neutralization of the Panama Canal certain rules which apply to the management of the Suez canal, the first of which reads,

"1. The canal shall be free and open to the vessels of commerce and of war of all nations observing these Rules, on terms of entire equality, so that there shall be no discrimination against any such nation or its citizens or subjects, in respect of the conditions or charges of traffic, or otherwise. Such conditions and charges of traffic shall be just and equitable."

Article 4 provides that "no change of territorial sovereignty or of international relations of the country or countries traversed . . . shall affect the general principle of neutralization. . . ." In contrast to the Clayton-Bulwer agreement, it is to be noted that the canal which is in the minds of the negotiators of the Hay-Pauncefote treaty is no longer a private enterprise to which the governments propose to give their support, but one either owned by or constructed under the auspices of one of the parties. The adhesion of other states to the treaty is not invited; this is purely a unilateral agreement and the United States, not the United States and Great Britain, adopts as one of the bases of

[1] For text see Malloy, W. M., *Treaties, Conventions, International Acts, Protocols and Agreements between the United States of America and other Powers*, Washington, 1910. Vol. I, p. 782.

neutralization an equality of charges for the traffic of all nations. It is provided that the United States shall adopt the rule that the canal shall not be blockaded, and that it will keep the canal open "to the vessels of commerce and of war of all nations observing these rules, on terms of entire equality . . . in respect of the conditions or charges of traffic."

Occasion for the construction of the terms of this treaty as to the tolls to be charged did not arise until about ten years after its adoption. So far as opinion in the United States can be judged by the expressions used in the party platforms there seems to have been no doubt as to what was considered to be the degree of freedom of action which was believed to have been retained by the United States, at least as to the coastwise trade.[1] The Democratic platform declared, "We favor the exemption from tolls of American ships engaged in coastwise trade passing through the Panama Canal." The Progressive party said the same thing: "We demand . . . that American ships engaged in the coastwise trade shall pay no tolls" for passing through the canal. The Republicans made no statement. They had by their action in Congress shown the same opinion and by their votes the principle became a law.

As the time approached when the canal would be opened to traffic it became necessary to provide the rules under which the property should be operated. On Au-

[1] For expressions of opinion in the Congressional hearings see *The Panama Canal*, Hearings before the Committee on Interstate and Foreign Commerce. 62d Cong., 2d Sess., House Doc. 680 (1912).

gust 24, before the election of 1912, the Panama Canal Act was approved. It provided for the permanent government of the Canal Zone and contained certain clauses which referred to the charges to be made on canal traffic. On December 9, the British Government through Ambassador Bryce, filed a protest on the ground that certain provisions of the Act contravened the Hay-Pauncefote treaty. Arbitration of the misunderstanding was suggested. The chief objections made by the British Government to the proposed rules were (1) that no tolls were to be levied on the coastwise trade of the United States, (2) that the President was authorized to prescribe tolls for ships belonging to the United States or its citizens different from those on other ships, and (3) that exemptions were made in favor of the ships of Panama. Secretary of State Knox in a letter to our chargé d'affaires at London on January 17, 1913, pointed out the following facts: The last mentioned provision was inserted in conformity with the treaty with Panama ratified in 1904, to which Great Britain had before this time raised no objections, and a similar provision inserted in the proposed treaty of 1903 with Colombia had called forth no comment. As to the second point, Mr. Knox asserted that the President's proclamation had not, in fact, discriminated in favor of American vessels in the foreign trade and that, therefore, no real grievance had yet arisen which could be arbitrated.

The question of greatest importance involved the exemption of coastwise traffic from the payment of tolls. Sir Edward Grey contended that the coastwise trade

might cover a part of foreign trade if goods were landed at an American port and then reloaded on an American vessel to be forwarded as a part of the coastwise trade. A ship of the United States also might combine foreign and coastwise trade and thus get the advantage of toll exemption. To this Mr. Knox replied that the objections here again referred to possible damages, not to any which had arisen. Therefore, in his opinion, the request for arbitration was premature. As to a further objection—that the law might allow the fixing of rates which were not just and equitable—Mr. Knox held that the remission of tolls should be considered as a subsidy of our shipping to the extent of the remitted charges and not as a discrimination against foreign shipping. The justice of the tolls on British ships was to be measured by the fair value of the service rendered, not by the tolls charged on United States coastwise traffic. "It is the improper exercise of a power and not its possession which alone can give rise to an international cause of action. . . ."[1]

The question of the tolls legally chargeable under the Hay-Pauncefote treaty remained a matter of disagreement through the remainder of the Administration of President Taft and was passed on to his successor. In support of the contention that the United States may make certain discriminations in toll charges, the follow-

[1] The treaties, the Panama Canal Act, the British protest, the reply by Secretary Knox, the Proclamation of President Taft as to the tolls to be charged and other documents on the subject of the tolls controversy, are reprinted in *Congressional Record*, April 21, 1913, pp. 242-63. See also *Diplomatic History of the Panama Canal*, 63d Cong., 2d Sess., 1913-14. Senate Documents, Vol. 15.

ing points were urged in current argument on the subject:

1. The explicit language establishing Great Britain and the United States on entire equality of treatment, found in the Clayton-Bulwer treaty, does not appear in the Hay-Pauncefote treaty.

2. The "general principle of neutralization," which the Hay-Pauncefote treaty speaks of, means immunity from attack and does not refer to traffic conditions. The neutrality stipulated for in the treaty is guaranteed only by the United States; the joint guaranty of the previous convention does not appear.

3. The stipulation that the "canal shall be free and open to vessels of commerce and war of all nations" "on terms of entire equality" does not include the vessels of the United States. If it did, it would mean that the vessels of the United States could be granted no favors in the canal, in dry-docking, pilotage, coaling or any other way. To be sure, the British objection refers now only to toll exemption, but if it rightly applies to that subject it would apply to all others. If "equality" is demanded we should have no right to fortify the canal, a right Great Britain has admitted we possess, and our warships could not in time of war repair or revictual in the canal. Viewed in the light of circumstances surrounding the negotiation of the treaty, the rule of equality is equivalent only to the guaranty of "most favored nation" treatment. British vessels would not be discriminated against as compared to other foreign vessels.

4. The equality of the ships of all nations does not prevent special rules for countries standing in a peculiar geographical or historical relation to the canal. Hence, the grant of rights to Panama does not infringe the treaty with Great Britain.[1]

5. The equality stipulated for could not have been intended to mean absolute equality between the vessels of Great Britain and the United States. Those who used the language did not have in mind the coasting trade which has always been given special

[1] These points are made in House Documents, Vol. 134, No. 1313, 62d Cong., 3d Sesssion (1913), an article prepared by the law officer of the Isthmian Canal Commission, Mr. Feuille, regarding tolls in the Panama canal.

treatment. Thus we have a treaty with Great Britain which provides "That no higher or other duties or charges shall be imposed . . . in the ports of any of his Britannic Majesty's territories in Europe on the vessels of the United States than shall be payable in the same ports on British vessels"; still this language is held not to prevent Great Britain from granting special favors to her coasting trade.[1]

6. It can even be asserted that the Panama revolution so changed conditions that we are no longer bound by the Hay-Pauncefote treaty. To be sure, the treaty stipulates that no change of sovereignty in the territory shall modify the duties of the parties, but this clause was inserted to apply to the possibility that some third party might become its possessor and had no reference to the possible acquisition of the zone by the United States itself.[2]

## Against freedom of action for the United States, it is urged:

1. The Clayton-Bulwer treaty Great Britain allowed to be superseded by the Hay-Pauncefote convention as a favor to us in return for which she was to enjoy the same privileges in the canal to be built as we would enjoy.

2. The words "all nations" are not susceptible of being interpreted "all nations except the United States."

3. Equality of treatment is not given when the ships of one nation pass toll free and the ships of another pay.

4. The provision that no change of sovereignty shall affect the obligations of the parties is general and applies to the present case as much as if some third party had become the owner of the Isthmus.

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[1] Hereshoff-Bartlett, C. A., article reprinted in *Congressional Record*, Jan. 22, 1913, p. 1872, *et seq.*

[2] Seabury, Samuel, The Panama Canal—Shall It Be American or Anglo-American? *Outlook*, March 8, 1913; also Taylor, Hannis, *Rule of Treaty Construction*, Sen. Doc., Vol. 20, No. 31, 63d Cong., 1st Sess. (1913). Executive documents relating to the treaties are printed in *Canal Treaties*, 63d Cong., 2d Sess., Sen. Doc., Vol. 27, No. 456 (1914).

The incoming of the Wilson Administration brought a shift from the first line of argument under which President Taft had been willing to have the matter go to arbitration to the second process of reasoning. President Wilson came to believe that not only had we agreed to give British ships identical treatment with our own in matters of tolls, but that the proper action for us to take was not to refer the matter to an arbitration court but to repeal the tolls-exemption provision of the Panama Canal Act of August 24, 1912. The Democrats in the latter part of President Taft's Administration had been in favor of merely suspending the tolls provision without repealing it, thus disarming the British protest, but President Wilson was opposed to the compromise. He declared in his message of March 5, "The large thing to do is the only thing we can afford to do, a voluntary withdrawal from a position everywhere questioned and misunderstood. . . . I ask this of you in support of the foreign policy of the Administration. I shall not know how to deal with matters of even greater delicacy and nearer consequence if you do not grant it to me in ungrudging measure." [1]

Besides its bearing on our relations with other countries, President Wilson advocated the repeal on the ground that it involved an unwise domestic policy. Many had already argued this point. It was urged that the exemption would work out not as a stimulus to independent steamship lines to enter the coastwise trade, but as a veiled subsidy to the shipping trust. When the bill for repeal came up in Congress, there-

[1] *The American Year Book*, 1914, p. 24.

fore, it no longer stood as a measure on which action was to be taken with a consideration only of our duties under our treaty with Great Britain, but our general diplomatic position was involved and its merits as a domestic measure were questioned.

After a long contest in Congress in which some Democrats refused to support the President because they believed in the programme advocated by the previous Administration, and some protested against the repeal as the breaking of a platform pledge, the measure passed and received the approval of the President on June 15, 1914. Before it took its final form the Senate incorporated an amendment which declared "the passage of this act shall not be construed or held as a waiver or relinquishment of any right the United States may have under the treaty with Great Britain . . . or the treaty with the Republic of Panama . . . to discriminate in favor of its vessels by exempting the vessels of the United States or its citizens from the payment of tolls for passage through said canal. . . ." [1]

The terms of this amendment are significant. Of course, any standard adopted by Congress for charging tolls cannot be taken as a measure of our rights under the treaty with Great Britain. The amendment introduced by the Senate indicates a desire on the part of the United States that the law should not be considered as involving any modification of these rights. What our rights and obligations on this point are, remains, therefore, an open question. The point has never been

[1] *Statutes of the United States of America*, 1913-14, p. 385-6. Chap. 106 approved Aug. 24, 1912.

arbitrated and no British interests were adversely affected before the repeal of the law. It is still possible that the question will be raised in connection with the rights granted to vessels of Panama in our treaty with that country approved in 1904.

# CHAPTER XII

## THE FORTIFICATION OF THE PANAMA CANAL

PANAMA is the center of our naval policy in the Caribbean. During the years immediately following the Civil War the propaganda for greater influence in the West Indies was kept alive by the memory of the limitations under which our Navy worked during that conflict. After the Spanish-American War the plans for coaling stations were fostered largely by the realization of the new responsibilities undertaken in Porto Rico and Cuba. With the building of the Panama Canal, the continued growth of our Navy and a better realization of our position as a world power has come a still wider horizon. Our international political interests no longer only draw us toward the Caribbean but radiate from it. The naval and military policy adopted there, and especially at Panama, are therefore not of local but of world-wide significance. The important question as to what that policy should be did not fail to produce a marked division of public opinion, based partly on different views as to the extent of our international obligations, partly on disagreement as to the best national policy. The first point is now definitely settled and the Government has given its decision on the second.

What are our rights, in view of our international

engagements, is determinable by a review of the treaties concerning Panama to which we have been party. The first important one touching the matter was the Clayton-Bulwer treaty of 1850. The circumstances under which the treaty was made were peculiar. President Monroe in his message to Congress in 1823 had given announcement to what we have since come to call the Monroe Doctrine, declaring that the Americas were no longer to be considered territory in which European powers were free to establish colonies. Great Britain had acquired indefinite rights in Central America, and in British Honduras, and claimed to be the protector of the Mosquito Indians in territory lying back of Greytown, Nicaragua. Both Great Britain and the United States were interested in the establishment of a trans-Isthmian canal at the time, chiefly for its commercial advantages, and each was unwilling to see such an enterprise fall under the exclusive control of the other. The route then generally considered most feasible lay through Nicaragua and would have affected the alleged rights of Great Britain in the Mosquito territory. In this situation, the Clayton-Bulwer treaty was proposed and adopted as a compromise whereby the possibilities of conflict of interests might be avoided.

The treaty bound each party not to "obtain or maintain for itself any exclusive control over the said ship canal; agreeing that neither will ever erect or maintain any fortifications commanding the same, or in the vicinity thereof, or occupy, or fortify, or colonize, or assume or exercise any dominion over Nicaragua, Costa Rica, the Mosquito coast, or any part of Central Amer-

ica; nor will either make use of any protection which either affords or may afford, or any alliance which either has or may have to or with any state or people for the purpose of erecting or maintaining any such fortifications. . . ." The subjects of both were to enjoy the same privileges in the use of the canal, which was to remain open in case of war. They were jointly to guarantee its neutrality and to invite other states to coöperate in adopting the policy outlined.[1]

This convention was received with little criticism in the United States until after the Civil War, when the military possibilities of the canal came to be more clearly realized and its terms no longer coincided with American national policy. There were numerous attempts to secure its modification or abrogation, but it continued as one of our international engagements for half a century.

The Spanish-American War brought still more clearly before the American people the great military advantage which might be reaped by them from the establishment of an easy communication by water between the Atlantic and Pacific. By this time, too, it had become evident that the private enterprise which had undertaken to build a canal at Panama was doomed to failure. Negotiations were undertaken with Great Britain looking to the supplanting of the Clayton-Bulwer agreement.

The result was the first Hay-Pauncefote treaty, con-

[1] Malloy, W. M. *Treaties, Conventions, International Acts, Protocols and Agreements between the United States and other Powers*, Washington, 1910, Vol. 1, pp. 659-63.

cluded February 5, 1900, which freed the United States from the promise not to seek control over the canal and left the Government free, should it so decide, to construct the work itself. The canal was to be neutral, and open to all nations; the United States was forbidden to erect fortifications and other nations were to be invited to adhere to the treaty. This agreement was not acceptable to the American Senate. Later, on November 18, 1901, a second proposal was made which eliminated the clauses objectionable to our Government. The United States was given the "exclusive right of providing for the regulation and management of the canal." The guaranty of neutrality was now a unilateral one undertaken by our Government alone, there was no suggestion of a restriction on the right of colonization anywhere and the provisions concerning fortification were dropped. After asserting that the canal should never be blockaded, one clause declared: "The United States, however, shall be at liberty to maintain such military police along the canal as may be necessary to protect it against lawlessness." This is the only clause referring to the use of armed force by the United States.[1] In its amended form the treaty was accepted by both Governments.

One other treaty—the one concluded with Panama exactly two years after the Hay-Pauncefote agreement—November 18, 1903, has a minor bearing on the fortification question. Article XXIII reads partly as follows: "If it should become necessary at any time

[1] Text in Malloy, op. cit. Vol. 1, p. 782.

to employ armed forces for the safety or protection of the canal, . . . the United States shall have the right, at all times and in its discretion, to use its police and its land and naval forces or to establish fortifications for these purposes." [1]

With these treaty provisions in mind we are now in a position to judge what right the United States has to fortify the canal. It is evident that the Clayton-Bulwer treaty, the so-called first Hay-Pauncefote treaty, and the one which finally received approval represent a gradual abandonment of limitations on the freedom of action of the United States. What limitations still remained became a matter which divided public opinion as the work of constructing the canal approached its end and the question of the defense of the waterway was urged to attention.

The radical view in favor of fortification was represented by ex-President Roosevelt and ex-President Taft. Mr. Roosevelt, it is asserted, had asked Mr. Hay at the time when the second proposal for a treaty with Great Britain was under consideration whether the dropping of the prohibition against fortification meant what it intimated—that the United States was to be left free to fortify if it wished. He received an affirmative reply, which was one of the elements deciding him to forward the treaty to the Senate for its approval. President Taft declared, in 1910, that he was in favor of fortification and had been from the time he was Secretary of War. Colonel Goethals, in charge of the construction of the waterway, and Gen-

[1] Text in Malloy, op. cit. Vol. 2, p. 1348.

eral Leonard Wood, Chief of Staff, were among the other prominent men who believed we had the right to fortify and should do so.[1] Among those who believed that such action would be contrary to the spirit, if not the letter, of our treaty obligations were Congressman James A. Tawney, long Chairman of the Committee on Appropriations in the House of Representatives, and David J. Foster, Chairman of the Committee on Foreign Affairs, in the same body. The question has now become academic. The British Government has recognized that the United States is free to use the canal as a military asset. Sir Edward Grey in a note to Secretary of State Knox, dated November 14, 1912, declared in discussing the terms of the Canal treaties, "Now that the United States has become the practical sovereign of the canal, His Majesty's Government do not question its title to exercise belligerent rights for its protection." [2]

The question of the best policy for the United States to follow is, however, not decided by the determination of the degree of freedom of action open to us. A large part of the American public believed, and still believes, that even if we are within our rights in fortifying the canal such action is inadvisable. The arguments may be summarized as follows.

Against fortification it is argued:

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[1] *Outlook*, 96, p. 256-8 (1910). See also Mahan, A. T. Fortify the Canal, *North American Review*, 193, pp. 331-39 (1911).

[2] The Secretary of State for Foreign Affairs of Great Britain to Ambassador Bryce, November 14, 1912, published in *Congressional Record*, April 21, 1913, p. 255.

1. To put forts on the canal is only another step forwarding the campaign to make the United States a militaristic nation. Each step forward necessitates another one. Thus, for example, we annex Hawaii because the islands are needed as a naval base, then we must have a larger navy to protect Hawaii, then we must fortify Hawaii so that it may help the navy; we must build the canal to give the navy greater mobility, then we must have a bigger navy in order to protect the canal and then the canal must be fortified to give the navy greater mobility. Once started on this line, a plausible argument can always be presented for the next step.

2. To fortify the canal is an act of "mad militarism" which will make it a "magnet for attack." We would "forfeit thereby the coöperation of all the nations making use of the canal" and make it "our most valuable and vulnerable possession." [1] If we ask all the great nations to neutralize it then in time of war no nation would dare attack it since it would thereby attack all the world. The mutual advantages of all neutral powers in keeping the canal open would deter even the most irresponsible nation from violating its neutrality.

3. Even if we did fortify that would not assure the safety of the waterway for our vessels. The late Rear-Admiral R. D. Evans is quoted as saying that the forts alone could not protect the canal. Without a fleet to protect the terminals of the canal during its transit by war vessels, a hostile force could stand off shore and concentrate its fire on each ship as it emerged, thus destroying piecemeal any force which attempted to pass from ocean to ocean. Without backing by the fleet, therefore, the forts cannot protect the canal, but if the fleet is present to protect the canal mouth then the forts are unnecessary. Since the canal must be protected from the sea in order that it may "be the 'military asset' which some of our military experts say it should be, it is absolutely necessary that with our fleet we should control the Caribbean Sea and so the Atlantic approach to the canal. Under existing conditions with a proper coaling station at Guantanamo or at some other convenient place, our warships afford us a control over the Atlantic entrance adequate and

[1] Tawney, J. A. The Folly of Fortifying the Canal, *Independent*. 71. DD. 125-8 (1911).

complete." Pearl Harbor, it is argued, gives a similar protection to the Pacific entrance.[1]

4. The cost of installing fortifications and of their maintenance would be heavy. Various estimates have put construction as high as $50,000,000, and maintenance, including the cost of garrisoning the forts, would bring an annual charge of at least ten per cent. of the initial outlay. General Leonard Wood is given as authority for the statement that a garrison of 7,000 men would cost $8,400,000 annually.[2] Already the bond issue for the canal has put upon posterity a burden of $400,000,000. Fortification would add another serious permanent expense.

5. To fortify the canal would be an act in contradiction to the best developments in international affairs. The progress of the arbitration movement is minimizing the chances of armed conflict. To neutralize the canal and leave it unfortified would be the most important contribution the United States could make to advance the cause of pacifism and the best evidence that its own professions of peaceful intent are not empty words.

In favor of fortification were urged arguments more nationalistic in tone:

1. The canal can be made a most important means of defending our national policies only if it is fortified. Ex-President Roosevelt expressed this idea at Omaha in 1910:

"We are in honor bound to fortify it ourselves, and only by so doing can we effectively guarantee that it shall not be used against us. The chief material advantage—certainly one of the chief material advantages—which we shall gain by its construction, is the way in which it will, for defensive purposes, double the power of the United States Navy. To refuse to fortify it . . . would be to incur, and quite rightfully, the contempt of the world; it would

[1] Foster, D. J. Neutralize the Panama Canal, *Independent*, 68, pp. 1320-2 (1910).

[2] Tawney, J. A. The Folly of Fortifying the Canal, *Independent*, 71, pp. 125-8 (1911). See also Olney, R., Fortification of the Panama Canal, *Amer. Jour. of Int. Law*, Vol. 5, pp. 298-301 (1911).

mean the complete abandonment of the Monroe Doctrine . . . it would be in its essence treason to the destiny of the republic." [1]

2. The canal should be made as great a military asset as possible for us. Under present international conditions, it is not to be expected that so important a prize, if undefended, would remain free from attack if we were engaged in war. A successful attack would either leave our fleet divided to be destroyed piecemeal, or, if the fleet were united, leave one coast defenseless. It is argued that adequate defenses would enable the canal to defend itself, that ships could debouch at either end under cover, assume battle formation and engage the enemy. The locks and dams lie in the interior too far for the guns of the enemy to reach when defended by the forts. Under these conditions, fortifications will insure that the Navy can use the canal even in the presence of the enemy and protect it from damage in the Navy's absence.

Our obligations as to the use of the canal by other nations are only to allow its use by belligerents impartially when we are ourselves not a party to the war. In the words of General Leonard Wood, "We shall build the canal and maintain it for the use of all countries in time of peace and control it in time of war as our interests demand." [2] An unfortified canal would necessitate that the Navy stay in its vicinity to defend it, thus destroying mobility and making it impossible for our warships to take the offensive. If there were no forts at the canal the enemy could draw off the Navy by a feint attack on the coast and then raid the canal, or it could make a feint at the canal and attack the coast. The rules of international law which prevent the bombardment of unfortified places have not been so uniformly observed in recent history as to justify the belief that an unfortified canal would be safe from enemy attack. The temptation would be too great. The enemy would destroy it, thus putting upon us the necessity of spending much more than the cost of fortification in its subsequent repair or he would take possession and at the end of the war, if successful, hold it for indemnity.

3. The objection that the canal, even if fortified, could not be

[1] *Independent*, 69, pp. 549-50 (1910).

[2] Quoted by Tawney, J. A., in The Folly of Fortifying the Canal, *Independent*, 71, pp. 125-8.

protected from raiding parties landing out of range of the guns to attack it in the interior, is a strong one. Nor could it be surely protected against attack by aeroplanes and airships, but the Government would, of course, take all possible precaution to prevent such attacks, and it could do so much more effectively if the canal were fortified than if it were not.

4. Finally, the strongest argument for fortification is that, even granting that by some mishap or by development of new war means, we were not ourselves able to keep its beneficial use in war time, its fortification would at least assure that the waterway should not be used against us. If we cannot double the strength of our fleet in war time by its use, we can by fortifying at least assure that the enemy shall not be able to turn its possession to his profit.

The War Department has consistently favored fortification. In 1911, the Secretary of War, in his Annual Report, called attention to the question of fortifications at Panama as follows:

"The exits and locks of the Panama Canal must now be protected, and it has become necessary to send a mobile force of at least a brigade to the Isthmus of Panama as well as coast artillerymen for this purpose. This not only gives protective insurance, but turns the Navy free for its legitimate functions." [1]

In the same year, Major General Leonard Wood reported the garrison necessary. He declared: "The work on the Panama Canal has now reached a point where it is most necessary to provide a garrison adequate for its protection and to insure the neutrality of the Canal. Twelve companies of Coast Artillery troops, four regiments of Infantry at full strength, one battalion of Field Artillery, one squadron of Cavalry, and

[1] Report of the Secretary of War, Henry L. Stimson, in *War Department Annual Reports*, 1911, Vol. 1, p. 15.

certain auxiliary troops constitute the force considered necessary by the undersigned for these defenses." [1] Congress appropriated $3,000,000 for the beginning of the work which has proceeded continuously since. By the next year, 1912, excavation work was well advanced and construction of gun and mortar batteries was begun.[2]

During 1913, the detailed surveys for location of the land defenses were undertaken and the Chief of Ordnance reported: "The issues of 14-inch guns on disappearing carriages, 12-inch mortars and carriages of the latest type, and 6-inch guns on disappearing carriages will begin shortly for the coast defenses of the Panama Canal." [3] In 1914, the fortifications were reported as nearing completion [4] and manning in process. The chief of the Coast Artillery reported: "The fortifications at the Atlantic and Pacific ends of the Panama Canal are practically completed, and it has been necessary to send Coast Artillery troops from the United States to the Canal Zone to man them. Six companies have already been ordered there, and it will be necessary to send six other companies during the next few months from the fortifications of the United States." [5]

[1] Report of Major General Leonard Wood, Chief of Staff, in *War Department Annual Reports*, 1911, Vol. 1, p. 146.

[2] Report of the Secretary of War, Henry L. Stimson, in *War Department Annual Reports*, 1912, Vol. 1, p. 56.

[3] In report of Chief of Ordnance, Brigadier-General William Crozier, in *War Department Annual Reports*, 1913, Vol. 1, p. 723.

[4] *Ibid.*, p. 479.

[5] Report of Chief of Coast Artillery, C. P. Townsley, in *War Department Annual Reports*, 1914, Vol. 1, p. 561.

The completion of the fortifications is the last step taken to insure that those who built the canal shall be secure in its control. The military advantages which we have hoped to gain and the force necessary to make them secure are thus stated by former Secretary of War Henry L. Stimson.

"By the control of this highway between the two oceans the effectiveness of our fleet and our general military power will be enormously increased. It is therefore obvious that the unquestioned security of the canal is our most important military problem. The permanent garrison must be strong enough to guard the locks and other important works and to prevent a naval attack which, under modern conditions, may even precede a declaration of war. We must, therefore, be able, even in peace, to man the seacoast guns that cover the approach to the canal, and we must have enough mobile troops to protect the rear of the forts and to defeat naval raids. A modern fleet can land a raiding party of several thousand bluejackets, and such a force landing out of range of the seacoast guns could penetrate to some vulnerable part of the canal within a few hours. The permanent garrison must therefore include a mobile force strong enough to anticipate and defeat naval raids at the beginning of hostilities, and to secure the canal until reinforcements can be expected from the United States." [1]

[1] In Appendix A to Report of Secretary of War, H. L. Stimson, in *War Department Annual Reports*, 1912, Vol. 1, p. 73.

# CHAPTER XIII

## OUR RELATIONS WITH THE NORTHERN REPUBLICS OF SOUTH AMERICA

### COLOMBIA

### *I. Political*

THE relations of the United States with Colombia and Venezuela, the two republics of northern South America, are important not only because of the size of our interests, present and prospective, within their borders, but because they illustrate the trying situations which are apt to thrust themselves more and more upon our attention as better transportation facilities and increased international commerce bring the countries of the world into closer contact.

The coasts of these republics were skirted by the early Spanish voyages of discovery and have had in point of time a long contact with European civilization. But this connection has not brought with it large numbers of European colonists, and even at the present time the color of the population is still largely other than white.[1] Near to the West Indies, both Venezuela and Colombia bear traces of the African slave trade which formerly furnished the main supply of labor. In Colombia, for example, in 1915 the population was

[1] Bigelow, John, *American Policy*, New York, 1914, p. 7.

reported to have been 50 per cent. white, 35 per cent. black and 15 per cent. Indian.[1] In the coast towns there is a considerable mixture of negroes with the Indian stock, the product being known as "zambos."

Lying as they do in the full tropics, where nature demands the expenditure of but little energy to assure the minimum of subsistence, and peopled largely by a race satisfied with a low standard of life, these countries have up to the present time felt only slightly the influences which have spurred on the people of other lands to a full utilization of the natural resources within their reach. The isolation of these countries from the outside world has not meant freedom from internal strife. Some of the most sanguinary of South American "revolutions" have been staged here, to be followed by dictatorships as absolute as the world has known. The constitutions are modeled in large part upon that of the United States, but in actual affairs their provisions are too often observed in the breach.

The relations of the United States and Colombia, up to the beginning of the nineteenth century, were uniformly cordial. There were upon her borders no European colonies to raise questions which might force the United States to act as her protector, as was the case in Venezuela in 1896, and the commercial connections of the two countries were not important. There was little to bring the two nations into intimate contact. At one point there was a common interest—the promotion of good traffic conditions across the Isthmus of Panama. This was important for the

[1] *Commerce Reports*, Supplement, August 20, 1915.

United States, especially in the period before the construction of the transcontinental railways, for the Isthmian route seemed to promise to be one of the great avenues of communication between the eastern and western coasts of the United States, though with the establishment of rail communication between East and West the Panama route became relatively less important to the United States. Good transportation facilities over Panama were important to Colombia for the same reason—her territories fronting on the Pacific, comprising about half her coastline of 3,100 miles, were practically shut off from the world unless outlet could be secured through Panama. In Colombia's case this route continues to be of paramount importance, for even up to the present day no transcontinental railway routes connect her Atlantic coast with the Pacific ports of Tumaco and Buenaventura.

The interests of both countries in promoting good trans-Isthmian communication brought about as early as 1846 a treaty under which the United States was to aid in keeping the transportation route across Panama open for commerce. The long-standing friendship between the two republics was, as is shown elsewhere, suddenly interrupted by the Isthmian revolution and the events which immediately followed. To reëstablish amicable relations has been the task of subsequent Administrations, one not yet satisfactorily accomplished.

General Reyes, the President of Colombia, sought during the Roosevelt Administration to secure a settlement of the outstanding grounds for dispute. A tripartite treaty was proposed between the United

States, Panama and Colombia. The agreement drafted was known from its negotiators as the Root-Cortes-Arosemena treaty. By it, Panama was to pay $2,500,000 toward the Colombian foreign debt, the money to be advanced by the United States, on the account of the rental of the Canal Zone. The Colombia legislature rejected the agreement.[1]

During the Taft Administration a more ambitious proposition was undertaken. It was proposed to buy from Colombia the concession for an interoceanic canal following in general the course of the Atrato River. Colombia was further to lease certain coaling stations on islands held by her in the Caribbean. She was to recognize the independence of Panama. In return, the United States agreed to pay Colombia $10,000,000 and arbitrate certain claims involving the Panama Railroad. This treaty also met defeat in the Colombian Congress.[2]

The desire to reëstablish friendly relations with Colombia again found expression early in the Wilson Administration. Colombia insisted that our speedy recognition of the new state and our promise to protect its independence constituted an affront to her national dignity and an interference with her rights for which

[1] Text in Charles, Garfield, *Treaties, Conventions, International Acts,* etc., Sen. Doc. 1063, 62d Cong., 3d Sess., 1913.

[2] *Diplomatic History of the Panama Canal,* 63d Cong., 2d Sess. (1913-4), Senate Documents, Vol. 15, and discussion in *The American Year Book,* 1913, p. 88; also Ex-United States Minister to Colombia, James T. DuBois, on Colombia's Claims and Rights (pam. n.d.) criticizing the diplomacy of the United States toward Colombia. Other discussions are found in the bibliography.

an apology was due. Before the interchange of views had proceeded far, it was shown that Colombia desired that one element in the proposed reparation be a money payment by the United States. The United States Minister, in order that the unhappy circumstances might be "blotted out and forgotten," was instructed "to offer . . . $20,000,000 for the complete termination of all claims and differences." [1] The Colombian Government accepted the offer to negotiate and, after personal interchange of views between her representatives and those of the United States, presented at the American Legation on February 3, 1914, a counter proposition, the main provisions of which were, first, that the United States should express regret for what had happened; second, that Colombian goods and citizens should be granted at least as favorable terms in the Canal Zone and in the use of the Panama Canal and railroad as were granted to the goods and citizens of the United States; the United States was to make a payment of $30,000,000, besides $250,000 annually for one hundred years.

Thereupon negotiations were again taken up as to the amount of the money payment, and after several interchanges of views and the receipt of a telegram from the Colombian Minister at Washington, which read "Convinced that Congress will refuse more than $25,000,000," the Colombian Government accepted a compromise on that amount on April 7, 1914.

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[1] Letter of Thaddeus A. Thompson to the Minister of Foreign Affairs of Colombia, October 1, 1913, published in *Congressional Record*, Vol. 52, Part 6, 63d Cong., 3d Sess., Appendix, p. 17 (Dec. 18, 1914).

The first article is reported as follows:

"The Government of the United States of America, wishing to put at rest all controversies and differences with the Republic of Colombia arising out of the events from which the present situation on the Isthmus of Panama resulted, expresses in its own name and in the name of the people of the United States, sincere regret that anything should have occurred to interrupt or to mar the relations of cordial friendship that had so long subsisted between the two nations. The Government of the Republic of Colombia, in its own name and in the name of the Colombian people, accepts this declaration in the full assurance that every obstacle to the restoration of complete harmony between the two countries will thus disappear." [1]

The report, which was submitted with the treaty to the Colombian Senate, declared it the duty of the nation to secure "such reparation of a moral and material kind as may be just and possible." The recovery of Panama itself was declared impossible because of the "enormous power of the Nation which has and does exercise guidance of that entity in its birth and subsequent existence." Therefore, it was urged that the treaty be ratified as soon as possible in order to gain the advantage of a Senate of the United States which, it was assumed, was favorably disposed. The same attitude was disclosed by the report of the committee of the Colombian House of Representatives on the treaty. Its report recalled

[1] A photographic copy of the English and Spanish texts, as published in the Diario Oficial at Bogota, April 14, 1914, is given in the *American Review of Reviews*, Vol. 49, p. 683, 1914.

"the lamentable occurrences on the Isthmus in November, 1903"; pointed out the "possible contingency of a change of international politics" in the United States and urged speedy action. The first article of the treaty is then partly quoted as follows: "The Government of the United States of America . . . expresses sincere regret for whatever thing may have occurred to interrupt or alter the relations of cordial friendship which for so long a time existed between the two nations." Upon this the committee comments "A satisfaction could not be expressed in a more final manner in laconic diplomatic language. . . ." "The indemnity wipes out . . . the attempted excuse for the despoilment of Colombia in the name of universal civilization." [1]

The conditions under which Panama secured its independence have been already sketched. Whether the United States was guilty of conduct internationally blameworthy is to be judged primarily from the facts of the revolution.

The interpretation of the treaty by some of those

[1] The documents used here are reprinted in translation in a speech of J. Hampton Moore which appears in the *Congressional Record*, Vol. 52, Part 6, 63d Cong., 3d Sess., Appendix, p. 18, Dec. 18, 1914. There is also a discussion of the various translations of the Spanish text. The first article as quoted above varies in phraseology from that given in the *American Review of Reviews*, Vol. 49, 1914, p. 683. A statement of the case of Colombia is found in, *"Why the Pending Treaty with Colombia Should Be Ratified,"* Hannis Taylor (pamphlet), Washington, 1914. Also see, A Chapter of National Dishonor, L. T. Chamberlain, *North Amer. Rev.*, 195, pp. 145-174 (1912), and Earl Harding, In Justice to the United States—A Settlement with Colombia; in *Latin America*, G. H. Blakeslee, ed. (*Clark University Addresses*, 1913), pp. 274-89.

who urged its adoption in the Wilson Administration may be judged by the explanation of the reasons for the agreement as given by William Jennings Bryan, then Secretary of State. He is reported as saying, "Colombia feels that she has been aggrieved; and whatever may be said as to whether or not this feeling is justified, no one will deny that she has sustained great financial loss in the separation of Panama from her" and again, "It is not necessary to discuss the events which gave rise to this estrangement because it does not matter which party was at fault. The estrangement exists, and this is the fact that must be dealt with." [1]

The interpretation which those prominent in the Colombian Congress put upon the action of the United States in making the treaty does not allow the assumption that there is any doubt in their minds as to whether the terms of the treaty constitute an apology for a wrong committed, nor as to which party is at fault, and a recognition of that point is to them of primary importance.

Public opinion in the United States has been divided. Opposed to the ratification of such an agreement are those who feel that the desire to cultivate friendly relations with its neighbors to the southward, as has been illustrated in many instances, may properly lead the United States to make concessions and assume responsibilities which, except for its peculiar international position in America, it should be anxious to avoid. And this treaty, it is argued, goes too far. To grant liberal

[1] Reported by J. Hampton Moore in *Congressional Record*, Vol. 51, Part 17, 63d Cong., 2d Sess., Appendix, p. 743, July 13, 1914.

treatment to weaker nations, and to do all that it is possible to do to put them in a position to become strong, is a policy far different from that of trying to satisfy the demands of a weaker nation whether the demands have any basis in justice or not. The United States ought always to be just and may be generous, but to make apology in an attempt to secure good-will by asserting that "it does not matter which party was at fault" is quite another thing. Whether an apology is due turns precisely on the point "which party was at fault." To make an apology when none is due is to confess guilt where none exists, and such action is not apt to promote real friendship, nor can money payments undo the affront to national honor if one has been committed.

On the other hand, it is argued that some concession to public opinion in Colombia should be made by our Government even if our position may be demonstrated to have been technically correct. There can be no doubt, it is asserted, that the Washington Administration sought, during the course of the negotiations preceding the Panama revolution, to induce the Colombian Government to adopt a course of action which it wished to avoid. It is asserted that a series of notes, which were little less than covert threats, were despatched on April 24, June 13, and August 5, the object of which was practically to coerce the Colombian Senate into accepting the proposed convention. The last of these, sent through the Colombian Minister of Foreign Affairs, read "If Colombia desires to maintain the friendly relations which at present exist between the two countries,

and at the same time to secure for herself the extraordinary advantages that are to be produced for her, . . . the present treaty will have to be ratified exactly in its present form, without amendment whatsoever." [1]

The considerations urged by President Roosevelt in justification of the action taken at Panama have not allayed the resentment aroused. In his message to Congress on January 4, 1904, he wrote "When this government submitted to Colombia the Hay-Herran treaty (January 22, 1903) it was already settled that the canal should be built. The time for delay, the time for permitting any government of anti-social spirit and of imperfect development to bar the work was past.

"I have not denied, nor do I wish to deny, either the validity or the propriety of the general rule that a new state should not be recognized as independent till it has shown its ability to maintain its independence." "But like the principle from which it is deduced the rule is subject to exceptions and there are in my opinion clear and imperative reasons why a departure from it was justified and even required in the present instance." [2]

Later, in an address at the "Charter Day" exercises at the University of California, he is reported as saying, "I am interested in the Panama Canal because I started it. If I had followed traditional, conservative methods, I would have submitted a dignified state paper of probably two hundred pages to Congress, and the debate on it would have been going on yet; but I took the Canal

[1] As quoted in Chamberlain, L. T., A Chapter of National Dishonor, *North American Review*, 195, pp. 145-74 (1912).

[2] *Ibid.*, p. 146.

Zone and let Congress debate; and while the debate goes on the Canal does also." [1]

These things taken together, it is argued, portray the United States in a morally weak position. We were willing by diplomatic pressure to coerce a weak nation. That attempt failing, we welcomed a revolution in a dissatisfied province and "precipitately" recognized it as a new state. We at once guaranteed it against conquest by the former mother country. Further, our ex-President has later declared that he had in mind to advocate proceeding at the Isthmus without Colombia's consent in case the revolution had not occurred. Under these conditions, it is urged, it is not to be wondered at if Colombia resents the brusque manner in which we "took the Canal Zone" and feels that an apology for the slight and reparation for the material damage is due.

## *II. Commercial*

Few countries show greater contrast between present conditions and possibilities than Colombia. By location the keystone state of South America, its territory covers 435,278 square miles, an area ten times the size of New York, and larger than that of France, Germany, Denmark, Netherlands, Switzerland and Belgium combined. Its people number only 5,473,000, or 12.57 per square mile. Its natural resources would support many times the present population.

Until recently, Colombia lacked both good overseas connections and internal communications. The latter

[1] *Ibid.*

she still lacks. In 1913, there were but 621 miles of railway in the entire republic, a little more than in Salvador and Costa Rica, one-twelfth its area. Imports and exports must suffer possible damage because of the frequent transshipment from railway to river-boats to mule back. The prosperity of the country depends almost exclusively on agriculture and the mining of precious metals, and the marketing of agricultural products is greatly hampered except in the districts in immediate touch with water transportation. Lack of capital in productive enterprises is also a hindrance. The average rate of interest is 18 per cent. Capital from abroad is already largely involved in the foreign trade, but comparatively little is found in local developments. The coffee crop is, in normal times, financed in Germany; a British syndicate markets the emeralds of Bogota, and British capital has given railway development its chief support. The mines are British and American; the fruit trade American.

Recent developments have brought Colombia transportation facilities with the outside world which compare favorably with those of any South American state and make a strong contrast with the handicapped condition of her interior commerce. In this respect the United States enjoys a decided advantage over European competitors. The fruit trade maintains a weekly service from both New York and New Orleans. German lines make the ports, there are connections with the Netherlands and France every three weeks, with Great Britain three times a month, and with Italy once a month.

Due to its location also, the United States enjoys

special advantages in Colombian trade, and these will be greatly increased as the Panama Canal comes more and more into use. The United States not only has more frequent service but a shorter transit period than any of its great competitors—both important factors in bringing to it a larger share of Colombian commerce. Curiously enough, this increase of exchanges with the United States was contemporaneous with strained political relations. The United States takes an increasing proportion of Colombian exports. This fact has helped to increase her purchases of American goods since the amounts to be paid by United States importers can be used as a fund upon which drafts may be made in payment for goods imported. As a result, too, of its close connection with America, prices have come to be quoted in United States dollars and cents, even in the retail trade, though the official exchange is in pounds sterling. The Government has shown a desire to make its monetary basis one which will conform to the dollar standard. The local paper money is now at a discount of 10,000 per cent. as compared to American gold.

The commercial exchanges of the United States and Colombia have become important only in the twentieth century. In 1900, the total value of the Colombian exports to the United States was only $4,307,000. Thereafter, the amount steadily rose and in less than a decade and a half reached $18,862,800, an increase of over 400 per cent. We take more of the exports than all the rest of the world and more than three times as much as Great Britain, the country's next best customer. About eight-ninths of our importations consisted of coffee,

which is of greater value than all other articles exported. Other items which Colombia sends abroad in large quantities are hides and bananas, the latter rapidly growing in importance. In the import trade we furnish almost a third of the total.[1]

Failure to settle international differences has therefore not affected the natural increase of Colombia's shipments to the ports of the United States, and the advantages of a quick market and direct exchange seem to give reasonable assurance that she will continue to purchase from her best customer.

## VENEZUELA

### *I. Political*

What is now Venezuela was first seen by Columbus on his third voyage in 1498, but, except for coast settlements, no foothold was secured by the Spaniards for almost fifty years. The next century and a half was a

[1] In 1913, the exports of Colombia amounted to $34,316,800, of which 55 per cent. went to the United States.

The imports in 1913 were valued at $26,987,000, of which the United States furnished 28.3 per cent.

Reports covering the commercial relations of Colombia are the following:

*Commerce of Colombia,* Pan-American Union, Washington, 1913. *Daily Consular and Trade Reports,* October 3, 1913; Dec. 9, 1913; *Commerce Reports,* Supplement, March 25, 1915; June 30, 1915; Aug. 20, 1915. *Trade of the United States with Other American Countries,* 1913-14, Department of Commerce, Miscellaneous Series No. 23, Washington, 1915.

*Report on Trade Conditions in Colombia,* Charles M. Pepper, Department of Commerce and Labor, Bureau of Manufactures, Washington, 1907.

period of trial for the European adventurers because of incessant Indian revolts. In 1718, the territory was united with that now in Colombia in the vice-royalty then known as New Granada. This connection was finally dissolved in 1830, eleven years after freedom had been won from Spain.

Independence did not bring an end to the disorder, and up to 1863 one government followed another in rapid succession. Then Guzman Blanco came to the front, a man who maintained at least passable order. After several preliminary manœuvres, he was formally elected President in 1872, and though not always in office, he was always in power thereafter for a period of twenty years. Like Diaz in Mexico, Blanco was in reality a dictator rather than a president, but the country enjoyed comparative prosperity at least under his rule. The years since 1892 have seen another series of unfortunate conflicts for office, extravagance in expenditures, and disputes with foreign powers.

In 1896, there came to a head a troublesome controversy between Great Britain and Venezuela involving the boundary between the latter and British Guiana. The dispute had been dragging on since 1841 but had recently become more acute because of the discovery of gold in the territory under discussion. The United States had repeatedly been asked by Venezuela for its good offices in bringing about a settlement, but Great Britain, the stronger power, had not been anxious to enter into negotiations. Her claims had recently shown a tendency to grow. President Cleveland, fearing that the vagueness of boundary might make possible the

extension of control by a European power over what was properly the territory of an American state, decided that, Great Britain being unwilling to arbitrate the matter, it was the duty of the United States to ascertain what was the correct boundary.

Any further extensions of territory he held the United States should resist on the principles announced in the Monroe Doctrine. Great Britain refused to recognize that the United States could properly claim to be a party to the negotiations, but on February 2, 1897, arranged an arbitration agreement with Venezuela. The settlement, largely made possible by the position taken by the United States, was in the nature of a compromise, Venezuela accepting the standard that fifty years adverse possession of territory should constitute good title. In 1899 the arbitration tribunal met at Paris where ex-President Harrison appeared as the counsel of Venezuela. As a result, though most of the territory in dispute went to Great Britain, Venezuela was assured the control of the mouth of the Orinoco, a region the possession of which was essential to the free development of her communications with her interior territories.

This controversy was hardly settled when Castro, the most famous of recent political adventurers of the republic, seized the Presidency in 1900. For the next two years civil war raged. In the midst of this trouble, Great Britain, Italy and Germany pressed for the payment of amounts alleged to be due their citizens. Attempts to collect these amounts by peaceful means had proven unsuccessful and they were now resolved to get

the money by force. The claims were of various sorts. Some involved the payment of dividends on railway investments which had been guaranteed by the Venezuelan Government, others, the payment for property of foreigners destroyed during civil wars; others, the payment of interest due on the Venezuelan foreign debt.

In December, 1901, the German Ambassador at Washington assured the State Department that there was no intention on the part of the European powers, as creditors of Venezuela, to violate the principles of the Monroe Doctrine. Secretary Hay replied, calling attention to a statement in a message of President Roosevelt, pointing out the difficulty of collecting a debt by force, and intimating that the United States, in order to avoid the taking of at least temporary control of ports, should exercise a sort of international police power on behalf of the weaker American states. No objection was made, however, to the use of force not involving the occupation of territory. A year passed in fruitless negotiation between Venezuela and the European powers, and in December, 1902, a warlike blockade of her ports was declared, and the ships of her miniature navy were seized or sunk.

The United States in February, 1903, succeeded in bringing the disputants to a compromise. Venezuela agreed to recognize a part of the claims and to set aside 30 per cent. of certain customs receipts for their payment. All claims presented by foreign Governments were to be submitted to mixed commissions for adjustment. Venezuela, at this point, took the stand that all her creditors should be treated alike. The block-

ading powers insisted that their claims should have preferential treatment. In May, 1903, at the suggestion of President Roosevelt, it was agreed to refer this question to the Hague Court for settlement. A decision was handed down in February, 1904, in favor of the blockading powers.

Meanwhile, during the summer of 1903, mixed commissions held sessions at Caracas to determine the amounts of the claims justly due the several countries which Venezuela was to pay. The result amply demonstrates the danger of accepting claims presented by the claimants of any country at their face value and proceeding to compel payment by force. It illustrates negatively the advantages of some arbitral procedure to determine which are just and should, therefore, be enforced. Out of claims amounting to 190,676,670 bolivars,[1] the commissions allowed only a total of 38,429,376 bolivars. The British demands were decreased from a total of 14,743,572 bolivars to 9,401,267; the German from 7,376,685 to 2,091,908; the Italian from 39,844,258 to 5,785,962. Nor were the claims urged by citizens of non-blockading powers found any more substantial. For example, French citizens sought payment of a total of 17,888,512 bolivars but were awarded 2,667,079, and citizens of the United States claimed 81,410,952 but were granted only 5,785,962 bolivars.

After this humiliating experience with European powers from which it had been extricated by the efforts of the United States, it might have been supposed that the Castro government would have exercised greater

[1] A bolivar is equal to $.193.

care in its treatment of foreign investors, and would have been more favorably disposed toward arbitration as a means of adjusting the claims against the country. But such was not the case. During the next five years various disagreements arose which the Government consistently refused to arbitrate. Those involving the United States, her friend in the controversy recently ended, were given no better treatment than others. As a result, on June 13, 1908, we withdrew our Minister from Caracas.

Our chief claims were five in number. First, an American citizen, Jaurett, had been summarily expelled from Venezuela on twenty-four hours' notice with no opportunity to settle his affairs. Second, the Orinoco Corporation which held a concession in the delta of the river of that name was denied its rights. The United States-Venezuelan Mixed Commission of 1903 had declared in its favor and its claims had subsequently been upheld by the Venezuelan courts. Still, in 1906 the Castro government granted privileges to other companies conflicting with those already granted the Orinoco Corporation. Third, the New York and Bermudez Company had a concession from the Government to exploit an asphalt lake and the lands around it. The Government now proceeded to oust the company because it had not developed the land around the lake, though it contained no resources which could be exploited. Fourth, the United States and Venezuela Company also had a concession to exploit an asphalt deposit. Under the terms of its contract, it was to be free from taxation, but Castro proceeded to lay taxes

upon the concern so heavy as practically to amount to confiscation of the concession. Fifth, the Orinoco Steamship Company had been granted a monopoly of water traffic in a certain portion of the republic, including the mouth of the Orinoco. Venezuela summarily canceled portions of the company's grant.

Not only with the United States was Castro again in trouble; a dispute with France also had resulted in breaking off diplomatic relations with that country, and he had summarily dismissed the Dutch Minister. With other Governments the relations were again at the breaking point. The Netherlands Government, after communicating with the United States, decided to resort to armed action. At this juncture Castro himself left for Europe. A Dutch cruiser seized one of the eight Venezuelan gunboats and put the crew ashore with a statement that similar treatment would be given the other seven vessels, if apprehended. With Castro gone, his enemies moved to overthrow his government. Headed by Juan Vicente Gomez, a lieutenant of the former dictator, they seized control of the public buildings and Gomez became President in December, 1908.

He at once invited the United States to send warships to Venezuela to maintain order against the Castro party.[1] The new government was now disposed to give our claims more considerate treatment and, through the Minister of Brazil, suggested arbitration. In the negotiations which followed, four of the five cases were settled out of court. Jaurett was paid an indemnity of

[1] An account of these events may be found in *Hazell's Annual*, 1910, p. 327.

$10,000; the New York and Bermudez Company compromised its claim, and paid damages for having aided a rebellion. The United States and Venezuela Company was to receive $475,000 American gold, payable in eight annual instalments at the office of the Secretary of State in Washington, and the Orinoco Corporation received $385,000 American gold, under similar conditions.

One case, that of the Orinoco Steamship Company, still remained unsettled and this it was agreed to refer to the Hague Court. This dispute had been passed upon by the mixed commission of 1903. The Hague Court was to decide whether it should be reargued, and if so, was to take up the matter on its merits. The company had been allowed $28,000 in 1903 on a claim of $1,400,000. The judges selected handed down their decision October 25, 1910. They held that the case should be reargued but refused to consider all the items on their merits, though the United States claimed that was the intent of the agreement. Only those items, which on their face involved injustice, were reargued—a rule which shut out the greater part of the claims, in one instance, an item of $1,200,000. The amount actually awarded the American claimants was raised from $28,000 to $92,000.[1]

Since 1908, our political relations with Venezuela have been uneventful. Gomez has continued in the presidency apparently observing the political arrangements

[1] The American claims against Venezuela are discussed in the *American Journal of International Law*, Vol. 3, p. 436 *et. seq.*; p. 985 *et seq.*; and Vol. 5, p. 230 *et seq.*

outlined in the constitution as little as did his predecessor, but he has shown at least that he appreciates the advisability of avoiding international complications.

## *II. Commercial*

The political control exercised by Venezuela nominally extends over 393,976 square miles, with a population of only 2,756,000[1] making it, with the exception of Bolivia, the most thinly populated republic of the New World. Like her neighbor to the West, her internal development has hardly begun. There were but 534 miles of railroad in the Republic in 1915[2] and the highways by which points, not on navigable waters, are reached are of the most primitive sort. Yet compared to Colombia, Venezuela makes a creditable showing in foreign trade. Her total in 1914 was valued at $43,329,126, compared to Colombia's $51,000,000, which makes $15.38 per capita for Venezuela, compared to $11.20 per capita for Colombia. Like her neighbor, she has few industries, practically all manufactured materials being brought from abroad, even the sacking for the export of coffee.

The prosperity of the country depends chiefly on agricultural crops, especially coffee, which is planted on 180,000 to 200,000 acres. Coffee constitutes about one-fourth of the value of the exports, and about two-thirds

[1] The official estimate of March 31, 1915, places the population at 2,812,668. There has been no actual census since 1891, when the population was 2,323,527. *Commerce Reports,* September 21, 1915.

[2] *Commerce Reports,* September 21, 1915.

of the value of the exports to the United States, the other important items being hides, rubber and cacao. In return, the United States sends principally foodstuffs and steel. Foreign trade has shown a steady increase. In 1909, it totaled only $25,794,813, and in 1914, $43,329,126. The United States has taken an increasing share, reaching in 1914, 36.2 per cent. of the imports and 40 per cent. of the exports.[1]

[1] Reports on Venezuelan commercial conditions are the following:

*Venezuela* (pam.), Pan-American Union, Washington, 1913.

*Daily Consular and Trade Reports*, April 7, 1913; October 24, 1913; December 15, 1913; February 14, 1914; and October 12, 1914.

*Commerce Reports*, Supplement, July 2, 1915.

# CHAPTER XIV

## THE ECONOMIC DEPENDENCE OF THE CARIBBEAN

To the average person the Caribbean calls to mind turbulent political conditions, disease and tropical products. Its republics and colonies are individually little more than names to him. He does not realize the importance of the exports of the various units, the degree to which local life depends upon foreign trade nor the extent to which single products constitute its bulk. In fact, in no region of the world probably is there dependence upon fewer crops, is life more conditioned by export trade, and that export trade composed to such a degree of a few staple products in each community.

The civilization is predominantly agricultural and even the development of this industry is primitive. Public revenues are derived primarily from taxes on imports and exports, or from these and various Government monopolies. Income from taxes on real estate is small. Under these conditions, if the crop of the principal articles of export fails, there is wide popular distress. The same effect is produced in less marked form if the crop is superabundant; then prices become unprofitable.

We in the United States realize with difficulty the economic dependence which such conditions involve. With us, a failure of one crop is usually counterbalanced by bumper production in another. Since we have

a variety of products, a large crop in one line disturbs the general market less than in a country which confines its attention to a small number of staples. Our domestic manufactures are developed, we produce the bulk of our raw materials and we consequently rely less on our foreign trade. Even if hostile tariffs cut off our foreign trade in certain lines or hard times abroad make purchases there fewer, it affects us only in a minor way. The country is largely sufficient unto itself. Not so in dependent regions like the Caribbean. The failure of the coffee crop of Salvador, the sugar of Barbados, the cocoa of Trinidad, would throw their peoples into financial straits, it would necessitate general extension of credit and bring locally acute hard times. Anything which tends to disturb the foreign market for their chief product would have an immediate effect to which we have nothing to compare.

This economically dependent position shows its disadvantages, too, not alone in the effect on the prosperity of individuals. If the crops are poor, the people cannot buy so freely abroad, imports fall, and with them the income of the Government. Of course, this is true in all countries. Whenever hard times come, national revenues shrink, but the difficulty is not so great with those countries of diversified products. Foreign trade, then, bears to the prosperity of both the people and the Government of these countries a relation of much greater intimacy than is the case in the average temperate region. The degree to which single crops or a few crops are the mainstay of some of these units is indicated in the table on the following page.

## Chief Exports Compared to Total Exports in Certain Caribbean Districts

(Figures Represent Percentage of Total Exports)

| Country | Year | Coffee | Bananas | Sugar and its by-products | Gold | Metals | Tobacco | Cacao | Vegetables | Sisal | Sponges | Salt | Straw Hats | Phosphates |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Guatemala [1] | 1913 | 84 7 | 5 9 | .... | .... | .. . | .... | .... | .... | .... | .... | .... | .... | .... |
| Salvador [2] | 1913 | 79 8 | .. . | .. . | .... | 17 0 | .. . | .... | .... | .... | .... | .... | .... | .... |
| Nicaragua [3] | 1913 | 65 0 | .. . | .... | 13 0 | .... | .. . | .... | .... | .... | .... | .... | .... | .... |
| Colombia [4] | 1912 | 50 1 | . .. | .... | 20 4 | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| Venezuela [5] | 1911 | 50 0 | . . | . . | . .. | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| Costa Rica [6] | 1914 | 48 0 | 43 7 | .. . | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| Honduras [7] | 1913 | .. . | 50 1 | .... | .... | 27 7 | .... | .... | .... | .... | .... | .... | .... | .... |
| Jamaica [8] | 1912 | .. . | 41 5 | . . | .... | .... | .... | .... | . .. | .... | .... | .... | .... | .... |
| Barbados [9] | 1913 | .. . | .... | 88 6 | .... | .... | .... | .... | .... | .... | .... | .... | .... | .... |
| Cuba [10] | 1914 | .... | .... | 77 0 | .... | .... | 16 0 | .... | .... | .... | .... | .... | .... | .... |
| The Dominican Republic [11] | 1914 | .... | .... | 48.5 | .... | .... | .... | 27.6 | .... | .... | . .. | .... | .... | .... |
| Trinidad [12] | 1912 | .... | .... | .... | .... | .... | .... | 27 2 | .... | .... | . . | .... | .... | .... |
| Bermuda [13] | 1912 | .... | .... | .... | .... | .... | .... | .... | 80 0 | .... | . .. | .... | .... | .... |
| Bahamas [14] | 1913–14 | .... | .... | .. . | .... | .... | .... | .... | .... | 21.7 | 46 5 | .... | .... | .... |
| Turks and Caicos Islands [15] | 1913 | .... | .... | .. . | .... | .... | .... | .... | .... | .... | .... | 89.0 | .... | .... |
| Curacao (Port) [16] | 1914 | .... | .... | .... | .... | .. . | .... | .... | . .. | .... | .... | .... | 53.1 | 27.8 |

[1] *Daily Consular and Trade Reports*, Sept. 30, 1914.
[2] *Daily Consular and Trade Reports*, Oct. 8, 1914.
[3] *Commerce Reports*, Supplement, March 3, 1915.
[4] *Daily Consular and Trade Reports*, Dec. 9, 1913.
[5] *Daily Consular and Trade Reports*, Jan. 11, 1913.
[6] *Commerce Reports*, Supplement, June 21, 1915.
[7] *Daily Consular and Trade Reports*, Sept. 9, 1914.
[8] *Daily Consular and Trade Reports*, Aug. 28, 1913.
[9] *Daily Consular and Trade Reports*, Dec. 16, 1914.
[10] *Commerce Reports*, Supplement, May 10, 1915.
[11] *Commerce Reports*, Supplement, July 15, 1915.
[12] *Daily Consular and Trade Reports*, April 18, 1914.
[13] *Daily Consular and Trade Reports*, Oct. 8, 1913.
[14] *Daily Consular and Trade Reports*, Sept. 28, 1914.
[15] *Daily Consular and Trade Reports*, Nov. 21, 1914.
[16] *Commerce Reports*, Supplement, July 1, 1915, excluding from total of exports coal, which is not a local product.

The weakness of the economic position of these countries is further emphasized by a consideration of the character of the market for their products. The majority of Caribbean exports are agricultural products but not the basic foodstuffs. With the single exception of sugar, none commands a market little affected by economic conditions. The fruit trade, cacao production, the tobacco market, the asphalt trade and even the coffee industry are dependent for their prosperity to a greater degree upon the prosperity of the commercial nations where their chief market lies. These lands suffer, therefore, not only the hard times which come from local causes, they are especially subject also to the reflection of hard times from the countries of their chief markets.

Finally, adverse tariffs in the principal purchasing countries may affect them seriously, much more seriously than they affect countries of diversified agriculture with developed manufactures. For example, the tariff recently proposed to be placed upon imports of bananas into the United States would have a much more serious effect on the prosperity of Caribbean countries than a similar discrimination against any United States article of export would have had upon the prosperity of the American workingman. The fruit trade illustrates best of all the economically weak position of these communities. To be sure, the market for their fruit is being rapidly widened with the improvement of transportation facilities and methods of preserving and ripening the products, but the United States will naturally remain the chief consumer. If our tariff on fruits were

raised it could not fail to bring hardship to millions outside our borders. Conversely, a lowering of our tariffs on citrus fruits would stimulate another branch of Caribbean industry which now languishes for the benefit of our own growers in Florida and California.

The treatment of sugar in our tariffs brings out the relation of the prosperity of these islands to their access to foreign markets. When the Underwood-Simmons tariff was passed, it was given great praise by the Barbadians and others who before had paid the full tariff rate for any sugar sent us, and by the Cubans who would no longer have to pay even the twenty per cent. of the regular rate demanded by the reciprocity treaty. The Porto Ricans looked askance at a measure which destroyed the advantage they had enjoyed over their West Indian neighbors and the producers of cane and beet sugar in the United States were outspoken in their opposition, as they have regularly been opposed to the free importation of any sugar produced outside continental United States.

The coffee trade illustrates in a different way the dependent position of the Caribbean regions. Next to Brazil, the most important Latin-American coffee producers are Venezuela, Guatemala, Colombia, Nicaragua, Haiti and Costa Rica. But none produces in sufficient quantity to be a serious competitor to Brazil.[1] The

[1] "For some time the West Indies took the lead in coffee production from which they have strangely declined. Java eventually outstripped them, to be in turn outstripped by Brazil, which at present supplies more than three-fourths of the world's coffee production." Coffee, *Monthly Bulletin of the International Bureau of American Republics*, Washington, November, 1908, p. 860.

result is that this trade, forming a large percentage of the total exports, is dependent for its prosperity upon the price of Brazilian coffee, except to the extent that the product of each country is able by its peculiar flavor to establish its own market. In this case, therefore, the prosperity of the country, so far as it is determined by its coffee trade, is dependent, not only upon favorable tariff rates which thus far have been the general good fortune of coffee-producing countries, but also upon the amount and character of the crop in the country of greatest production and upon the conditions under which its marketing there is permitted. Of course, this is true of markets for all growing crops in all sections of the world, but it is especially true when one country holds such a dominant position in production as Brazil does in raising coffee. High prices for Brazil mean high prices for these countries and vice-versa. Thus all these countries were able to profit by the rise in price temporarily brought by the Brazilian valorization scheme and suffer now from its break up, though more fortunate than the Brazilian producer in that they are not having to pay for the experiment.

Cacao, like coffee, is consumed chiefly in countries where it is not produced. The best cocoa is a factory product—a product thus far of temperate regions. Even the manufactured product consumed in the countries where it is raised, except among the poorer classes, is imported from abroad. The prosperity of this industry, like that of coffee, depends, therefore, primarily upon the prosperity of foreign lands and favorable tariff rates.

In imports also the Caribbean region is greatly dependent upon the markets of other countries. Compared to conditions of a generation ago there is an increasing dependence on a foreign food supply. Unlike the classic example of Great Britain, this is the result, not of the development of a large manufacturing population and a declining agriculture, but of a development of local agriculture along particular lines not productive of foodstuffs of the kind and variety now demanded. It represents an increased demand for foodstuffs in amount and a change in the habits of the people as to the varieties used. A similar development has, of course, long been going on in more temperate climes. The introduction of root crops into England from the Continent is a favorite example of the diversification of our food habits, the increased consumption of maize, tomatoes, rice, tropical fruits, and a host of other vegetable products in the United States and elsewhere illustrates a later development of a similar sort. Food consumption is undergoing a revolution in tropical and subtropical countries. They are taking up where possible the raising of the foodstuffs of the temperate zone and are importing from distant regions an increasing portion of the food which they cannot or at least do not produce for themselves.

Perhaps the most striking example of this development in the Caribbean is the large rice trade built up by the Germans. The cultivation of paddy had been introduced into various West Indian and northern South American territories, but met with only slight success except in the British colonies which have imported East

Indian laborers. In the rest of the Caribbean, rice culture has never become important. Larger supplies are yearly brought from Rangoon, Burma. The larger part of the shipments do not come direct. Unhulled rice is carried to Hamburg where its preparation is finished and the by-products used as food for animals. The cleaned rice is then reshipped to the Caribbean, forming one of the staple German exports in almost all the communities where German trade makes a showing.

Though this example of dependence on a foreign food supply is more striking than that on any other single article, it illustrates an increasing dependence on imports, which, taken in connection with the unusual dependence of the prosperity of the region upon a few leading export products, makes the economic position of these peoples unusually weak.

# CHAPTER XV

## CARIBBEAN PRODUCTS

A BRIEF review of the principal Caribbean products and their markets will show their importance as an element in the foreign trade of the United States. It will also indicate the possibilities of further developing the various industries that may attract American capital and thus, in another way, indirectly touch our national interests. In this chapter are discussed chiefly the Caribbean industries which have already acquired importance for us. Among the notable products of the region are sugar, coffee and cacao. The fruit trade and possible development of oil resources are separately treated; tobacco receives attention in the chapter on Cuba, and the promising copra industry has yet to take an important place in Caribbean commerce.

### SUGAR

Sugar, in the past generation, like several other products of great importance to the tropics, has found its conditions of production revolutionized. Natural indigo, formerly a typical product of tropical regions, has been largely displaced by the synthetic product. Wild rubber, which seemed destined for a time to make the Amazon region of increasing commercial importance, is

surrendering more and more to the rubber gathered on plantations in the tropics of Africa and Asia. Sugar, once primarily a tropical product, now has to compete with the beet sugar of the temperate zones.

However, an old industry, even though temporarily one of small or no profit, may possibly be made profitable by adopting better methods of production. This has proved to be the case with cane-sugar manufacture. The old small-scale production required the outlay of capital small in amount compared to that demanded by an up-to-date establishment. But it was decidedly uneconomical. By the older method a large proportion of the sugar value remained in the cane, and the juice was evaporated by the old, uneconomical, open-pan process.

Modern methods are gradually displacing the traditional mode of manufacture and putting cane sugar into a position where it can more easily compete with that produced from beets. Gradually, in the West Indies, steam-power machinery, capable of extracting all but a small portion of the cane juice, is driving out the picturesque windmills, and the vacuum pan is conserving what formerly went to waste during the process of evaporation. In addition, legislation and the international agreements which have now put a partial check upon the artificial stimulus to beet growing, have helped to restore the production of cane sugar to the list of profitable industries.

The greatest cane-sugar producing regions of the world are now British India and the Caribbean. In 1914-15, British India produced 2,400,000 tons and the

Caribbean produced 3,243,000 tons. Of the Caribbean production, 2,600,000 tons are credited to Cuba.[1] The Caribbean regions, considered as producers of cane sugar which enters into international trade, far outrank all

THE CARIBBEAN SUGAR CROP ESTIMATES, 1914–15

(Compiled from Willet and Gray's *Statistical Sugar Trade Journal*, November 5, 1914, p. 417)

| Country | Tons of Cane Sugar |
|---|---|
| Cuba (product) | 2,600,000 |
| Porto Rico (product) | 310,000 |
| British West Indies | |
| Trinidad (exports) | 45,000 |
| Barbados (exports) | 30,000 |
| Jamaica (exports) | 15,000 |
| Other British West Indies | 24,000 |
| French West Indies | |
| Martinique (exports) | 40,000 |
| Guadeloupe | 35,000 |
| Danish West Indies | |
| St. Croix (product) | 5,500 |
| Central America | 22,000 |
| Demarara (exports) | 100,000 |
| Surinam (product) | 13,500 |
| Venezuela | 3,000 |
| Total | 3,243,000 |

| | |
|---|---|
| Total cane sugar crop of the world | 9,724,000 tons |
| European beet sugar | 5,700,000 " |
| United States beet sugar | 570,000 " |
| Grand Total, Cane and Beet Sugar | 15,994,000 tons |

others. British India, though one of the oldest sugar-producing countries in the world, not only consumes all of its own sugar product, but imports to the amount of

[1] Willett and Gray's *Weekly Statistical Sugar Trade Journal*, Nov. 5, 1914, p. 417. The output for 1916 was estimated as 22,214,000 bags of 325 pounds each, or the equivalent of 3,609,775 short tons. (*Commerce Reports*, Feb. 18, 1916.) See also *Commerce Reports*, May 5, 1915, Oct. 8, 1915.

twenty-five to thirty million dollars' worth annually, while comparatively little of the West Indian product is used locally. If the India cane sugar crop, locally consumed, be subtracted from the total cane sugar production of the world for 1914-15, it is found that the Caribbean produces about forty-five per cent. of the rest of the world's supply. The estimates of the Carib-

IMPORTS OF SUGAR INTO THE UNITED STATES FROM OTHER AMERICAN COUNTRIES, 1914

(Compiled from *Trade of the United States with Other American Countries, 1913–14*. Bureau of Foreign and Domestic Commerce, Miscellaneous Series, No. 23, Washington, 1915)

*Caribbean Region (Foreign)*

| Country | Pounds | Value |
|---|---|---|
| Guatemala | 1,258,202 | $30,129 |
| Mexico | 2,182,378 | 78,926 |
| Barbados | 610 | 15 |
| Cuba | 4,926,606,243 | 98,394,782 |
| Danish West Indies | 440 | 10 |
| The Dominican Republic | 4,316,282 | 86,761 |
| Dutch Guiana | 398,371 | 7,617 |
| Total | 4,934,762,526 | $98,598,240 |

*Caribbean Region (Domestic)*

| | | |
|---|---|---|
| Porto Rico | 641,252,527 | $20,239,831 [1] |
| Total Caribbean | 5,576,015,053 | $118,838,071 |

*South American Countries Not Above Listed*

| | | |
|---|---|---|
| Peru | 8,981,684 | $181,519 |
| Grand Total | 5,584,996,737 | $119,019,590 |

[1] Figures for Porto Rico, 1914, from *Monthly Summary of the Foreign Commerce of the United States*, June, 1915, p. 1075. In this chapter Mexico is included among the Caribbean countries, the trade conditions affecting its products being substantially the same as in the other countries.

bean sugar crop for 1914-15 are shown in the table on page 262.

If the Caribbean be considered in its importance as a source of supply for the United States, the figures are even more telling. The chief reliance is upon Cuba, as the table on page 263 shows. The only other important source of our cane sugar, besides those enumerated, is Hawaii.

At the present time the development of the sugar industry is the most prominent single economic interest of citizens of the United States in the Caribbean. Not only does it depend upon this region for 50 per cent. of its supply of this important necessity [1] but its export trade has greatly profited by the stimulation given through the sugar production to Caribbean imports. Further—and this is, of course, in a less striking way typical of all economic developments in the Caribbean—American capital is seeking investment in the sugar plantations, so that not only is the trade it involves becoming American, but the industry itself is becoming American in ownership. Estimates of the degree to which this has already become the case cannot be accurate, but all agree that American ownership is a decided feature of the industry, and is rapidly increasing. In Cuba and Porto Rico this development has been most marked. British Consular Reports stated in 1912-13, "A very large proportion of the mills [in Cuba] are in the hands of Americans, and it is probable that

[1] United States consumption of sugar in 1914-15 was 8,630,000,000 pounds, of which Cuba furnished 4,785,000,000. (*Commerce Reports*, Oct. 8, 1915.)

PRODUCTION OF COFFEE BY COUNTRIES—1903 TO 1914[1]

(Standard Bags of 132 28 Pounds Avoirdupois)

| Years | Rio | Santos | Victoria | Bahia | Total Brazil |
|---|---|---|---|---|---|
| 1903–04 | 4,018,000 | 6,389,000 | 437,000 | 285,000 | 11,129,000 |
| 1904–05 | 2,547,000 | 7,426,000 | 391,000 | 165,000 | 10,529,000 |
| 1905–06 | 3,244,000 | 6,983,000 | 369,000 | 207,000 | 10,803,000 |
| 1906–07 | 4,241,000 | 15,392,000 | 394,000 | 165,000 | 20,192,000 |
| 1907–08 | 3,409,000 | 7,203,000 | 350,000 | 162,000 | 11,124,000 |
| 1908–09 | 2,886,000 | 9,533,000 | 390,000 | 108,000 | 12,917,000 |
| 1909–10 | 3,449,000 | 11,495,000 | 276,000 | 133,000 | 15,353,000 |
| 1910–11 | 2,438,000 | 8,110,000 | 185,000 | 223,000 | 10,956,000 |
| 1911–12 | 2,491,000 | 9,973,000 | 382,000 | 194,000 | 13,040,000 |
| 1912–13 | 2,900,000 | 8,585,000 | 479,000 | 180,000 | 12,144,000 |
| 1913–14 | 3,000,000[2] | 10,250,000[2] | 465,000[2] | 130,000[2] | 13,845,000[2] |
| 1914–15 | 3,000,000[2] | 8,000,000[2] | 400,000[2] | 150,000[2] | 11,550,000[2] |

| Years | Mexico and Central America | Venezuela and Colombia | West Indies | Haiti |
|---|---|---|---|---|
| 1904 | 1,465,000 | 1,355,000 | 150,000 | 536,000 |
| 1905 | 1,705,000 | 869,000 | 200,000 | 250,000 |
| 1906 | 1,488,000 | 823,000 | 150,000 | 351,000 |
| 1907 | 1,513,000 | 1,063,000 | 130,000 | 375,000 |
| 1908 | 1,235,000 | 1,036,000 | 190,000 | 514,000 |
| 1909 | 1,710,000 | 1,202,000 | 160,000 | 286,000 |
| 1910 | 1,523,000 | 1,070,000 | 230,000 | 451,000 |
| 1911 | 1,507,000 | 1,080,000 | 154,000 | 376,000 |
| 1912 | 1,572,000 | 1,413,000 | 167,000 | 455,000 |
| 1913 | 1,423,000 | 1,478,000 | 260,000 | 375,000 |
| 1914 | 1,650,000[2] | 1,450,000[2] | 225,000[2] | 500,000[2] |
| 1915 | 1,600,000[2] | 1,500,000[2] | 220,000[2] | 450,000[2] |

| Years | Africa | East Indies | World's Production |
|---|---|---|---|
| 1904 | 175,000 | 706,000 | 15,516,000 |
| 1905 | 137,000 | 659,000 | 14,349,000 |
| 1906 | 121,000 | 732,000 | 14,468,000 |
| 1907 | 115,000 | 537,000 | 23,925,000 |
| 1908 | 135,000 | 512,000 | 14,746,000 |
| 1909 | 131,000 | 363,000 | 16,769,000 |
| 1910 | 142,000 | 481,000 | 19,250,000 |
| 1911 | 146,000 | 566,000 | 14,785,000 |
| 1912 | 155,000 | 834,000 | 17,636,000 |
| 1913 | 110,000 | 724,000 | 16,514,000 |
| 1914 | 125,000[2] | 895,000[2] | 18,690,000[2] |
| 1915 | 140,000[2] | 1,000,000[2] | 16,460,000[2] |

[1] Figures from Report of Messrs. G. Duuring and Zoon of Rotterdam, furnished by the Coffee Exchange of the City of New York.

[2] Estimated.

not more than one-third of the mills remain in Cuban hands." [1]

### COFFEE

Brazil is preëminent among the world's coffee-growing countries. In 1914-15, that country is estimated as contributing 11,550,000 bags of 132 pounds each in a world's total of 16,460,000. Second in importance come the countries of the Caribbean and Mexico, which in 1914-15 produced 3,770,000 bags. The world's production of coffee is indicated in the preceding table.

The greatest coffee-consuming country in the world is the United States. The annual consumption is over ten pounds for every inhabitant,[2] and over half of the world's total. It might naturally be supposed because of its great use of coffee that the United States would buy largely, tariff conditions being equal, from the Caribbean countries lying practically at its door. This tendency has developed only recently. The principal market for Caribbean coffee—said by many connoisseurs to be far superior to the standard grades of Brazil—has been Europe, and America has sought her supply at Rio and Santos. Tariffs in the past have doubtless interfered to deflect the normal course of trade. The unfavorable conditions of trade with Porto Rico when

[1] *Diplomatic and Consular Reports,* 1912-13 [Cd. 6005-78], No. 4905, Annual Series, 1912-13.

[2] The importations in 1914-15 reached 1,118,690,524 pounds (*Commerce Reports,* September 10, 1915). It is to be noted that this total is swelled by the European War, due to which New York became a transshipment port for coffee, the reëxports amounting to 66,974,501 pounds in 1915.

it was a colony of Spain, for example, seem to have prevented an appreciation of the excellence of its coffee, a circumstance which American possession, with the attendant revolution in the commercial relations of the island, has not overcome. The present French reciprocity treaty with Haiti doubtless tends to draw the coffee trade of that island away from the United States; for though coffee enters free into our ports, the French, who have special privileges in the Haitian import trade, have natural advantages that come with established selling connections.

The total importation of Caribbean and other American coffee in the United States, in 1914, is shown in the following table.

Statistics of the trade in the United States in recent

COFFEE IMPORTATIONS OF THE UNITED STATES FROM AMERICAN COUNTRIES FOR 1914 [1]

*Caribbean (Foreign)*

| Country | Pounds | Value |
|---|---|---|
| Costa Rica | 4,023,374 | $485,142 |
| Guatemala | 25,009,202 | 3,067,592 |
| Honduras | 664,901 | 78,542 |
| Nicaragua | 1,437,960 | 176,944 |
| Panama | 308,438 | 44,516 |
| Salvador | 8,758,605 | 1,090,907 |
| Mexico | 49,385,504 | 8,028,186 |
| Jamaica | 1,468,819 | 171,038 |
| Cuba | 14,208 | 2,685 |
| Dutch West Indies | 28,249 | 3,186 |
| Dutch Guiana | 901,599 | 158,941 |
| Haiti | 2,124,432 | 164,201 |
| The Dominican Republic | 1,073,186 | 132,864 |
| Colombia | 91,830,531 | 11,556,038 |
| Venezuela | 49,953,478 | 6,194,240 |
| Total Foreign Caribbean | 236,982,486 | $31,855,022 |

[1] *Trade of the United States with Other American Countries*, Miscellaneous Series No. 23, Washington, 1915, for all foreign imports. The figures for Porto Rico are from *Monthly Summary of the Foreign Commerce of the United States*, June, 1915.

*Caribbean (Domestic)*

| Country | Pounds | Value |
|---|---|---|
| Porto Rico | 420,644 | $73,279 |
| Total Caribbean | 237,403,130 | $31,428,301 |

*South American Countries Not Above Listed*

| | | |
|---|---|---|
| Argentina | 85,800 | $13,014 |
| Brazil | 743,113,500 | 76,016,463 |
| Ecuador | 1,125,419 | 102,302 |
| Grand Total | 981,727,849 | $107,560,080 |

years show that Caribbean coffee is increasing in popularity. Of the increase in consumption in the last three years about one-half came from Caribbean countries. In figures of value an even better showing is made.

IMPORTATIONS OF COFFEE INTO THE UNITED STATES—1912–13 TO 1914–15

(Compiled from *Monthly Summary of the Foreign Commerce of the United States* June, 1915)

| Imported from | 1912–13 | | 1913–14 | | 1914–15 | |
|---|---|---|---|---|---|---|
| | Pounds | Value | Pounds | Value | Pounds | Value |
| *Caribbean Region (Foreign):* | | | | | | |
| Central American States and British Honduras. | 32,172,524 | $4,115,720 | 40,202,480 | $4,943,643 | 75,350,258 | $8,631,967 |
| Mexico | 26,121,439 | 4,090,909 | 49,385,504 | 8,028,186 | 52,706,120 | 6,898,161 |
| West Indies and Bermuda | 4,110,032 | 510,067 | 4,711,269 | 474,221 | 16,230,552 | 1,477,051 |
| Colombia | 89,684,514 | 11,728,459 | 91,830,513 | 11,556,038 | 111,077,449 | 13,710,164 |
| Venezuela | 49,671,060 | 7,040,173 | 49,953,478 | 6,194,240 | 72,463,140 | 7,745,268 |
| Total Caribbean (Foreign) | 201,759,569 | 27,485,328 | 236,083,244 | 31,196,328 | 327,827,519 | 38,462,611 |
| *Caribbean (Domestic):* | | | | | | |
| Porto Rico | 773,626 | 132,970 | 420,644 | 73,279 | 4,159,893 | 542,679 |
| Total Caribbean | 202,533,195 | $27,618,298 | 236,503,888 | $31,269,607 | 331,987,412 | $39,005,290 |
| *All Other Countries:* | | | | | | |
| Netherlands | 1,956,676 | 350,093 | 5,905,654 | 936,763 | 1,583,672 | 253,731 |
| Others in Europe | 7,155,967 | 1,111,110 | 1,243,736 | 204,521 | 738,462 | 114,439 |
| Brazil | 639,262,011 | 87,867,451 | 743,113,500 | 76,016,463 | 773,400,315 | 65,492,280 |
| East Indies | 7,559,765 | 1,254,879 | 8,673,941 | 1,361,847 | 10,898,139 | 1,811,375 |
| Others in Asia and Oceania | 4,083,462 | 692,204 | 4,140,032 | 695,088 | 2,383,741 | 451,928 |
| Other countries | 1,353,307 | 202,144 | 2,368,210 | 314,382 | 1,858,676 | 199,280 |
| Total Non-Caribbean | 661,371,188 | $91,477,881 | 765,445,073 | $79,529,064 | 790,863,005 | $68,303,033 |

SUMMARY OF COMPARATIVE INCREASE OF THE IMPORTATION OF COFFEE INTO THE UNITED STATES FROM 1912–13 TO 1914–15

| | |
|---|---|
| Increase in value of importations from foreign Caribbean 1912–13 to 1914–15 | $10,977,283 |
| Increase in value of total Caribbean 1912–13 to 1914–15 | 11,386,992 |
| Decrease in value of importations from Brazil 1912–13 to 1914–15 | 22,375,171 |
| Decrease in value of importations from all non-Caribbean countries | 23,174,848 |

The proportions of the coffee grown in the various districts are not the measure of the fitness of their lands for the purpose. Cuba's chief product was formerly coffee, but its cultivation was later neglected for tobacco and now for sugar. Porto Rico is also forsaking coffee for sugar. The Dominican Republic produces less coffee than her neighbor, Haiti, which markets in good years half a million bags. Haiti's land is better suited to this crop but the Dominican Republic has much which is excellent for the purpose, and in all these regions a revival of the coffee industry is looked for. It is being actively encouraged by the government of Cuba. Central America and northern South America have also made only a beginning in the development of their possible coffee industry. As the taste of the American consumer becomes educated to the differences and virtues of the varieties, and as the political and commercial relations of the United States with the regions south become more intimate, there is no doubt that coffee imports coming from the Caribbean will increase.

## CACAO

Coffee and tea, the world's greatest beverages of general use, are Oriental products. Their cultivation goes back to time immemorial and the trade in them with

Europe was one of the important features of the commerce which brought the West and East closer together. Tea still remains typically an Oriental product. Its cultivation elsewhere, due to climatic and labor conditions, has never developed on a large scale. The contrary is the case with coffee. For generations the countries most important in coffee production have been in the New World. Our own day has seen an increasing importance assumed by a third beverage made from the cacao bean. Unlike coffee and tea, cacao is a native American product and it is still chiefly grown in America. It was highly prized as the source of a beverage, and as a food by the Aztecs. The Spanish conquerors acquired the taste for chocolate and carried it back to Spain where it has become one of the most popular national drinks.

But cacao culture, like that of coffee, is not confined to any single region of the globe, and the growth of the bean has spread to tropical countries the world over. Important sources of supply outside of America are the Portuguese, British and German colonies of the West African coast and Ceylon. In America, two regions have about equal claim to first place. One is the country stretching from eastern Brazil to Ecuador, the active production being principally in the Atlantic and Pacific coast provinces. The other region is the territories rimming the Caribbean.

There are curious currents and cross currents of trade in the cacao as in the coffee industry. Though the United States gets so large a proportion of its coffee from Brazil, it takes less than one-fourth of her cacao.

## World's Production of Cacao—1911

(Compiled from *Cocoa Production and Trade*, Special Consular Reports, No. 50, Washington, 1912)

*Caribbean Region*

| Country | Pounds |
|---|---|
| Trinidad | 53,351,825 |
| Venezuela | 39,683,200 |
| The Dominican Republic | 44,092,400 |
| Grenada | 13,227,700 |
| Haiti | 5,511,510 |
| Dutch Guiana | 4,850,925 |
| Jamaica | 6,172,900 |
| French Colonies [1] | 3,527,375 |
| Cuba | 3,306,910 |
| Dominica | 2,425,060 |
| St. Lucia | 1,543,235 |
| Costa Rica | 440,925 |
| Total | 178,133,965 |

*Countries of South America, Not Above Listed*

| | |
|---|---|
| Ecuador | 88,846,285 |
| Brazil | 85,980,300 |
| Total | 174,826,585 |

*Other Countries*

| | |
|---|---|
| San Thome and Principe | 73,854,810 |
| Gold Coast | 77,161,800 |
| German Colonies | 11,023,100 |
| Ceylon | 9,479,885 |
| Lagos | 8,377,580 |
| Dutch East Indies | 6,613,900 |
| Fernando Po | 6,613,900 |
| Belgian Kongo | 2,204,600 |
| Other countries [2] | 3,526,860 |
| Total | 198,856,435 |
| Grand Total | 551,816,985 |

[1] Includes small amounts from non-Caribbean French Colonies.
[2] Includes all Caribbean units except those entered above.

Venezuela sends somewhat less than two-thirds of her cacao crop to France; the Dominican Republic sends hers chiefly to the United States. The colonies, with few exceptions, market their crops predominantly in the home country. Trinidad, however, sends largely to the United States.

The United States is the greatest cacao-consuming country, taking about one-fourth of the world's production for export. Its principal sources of supply of cacao are the British West Indies, chiefly Trinidad, with the Dominican Republic, Brazil and Ecuador furnishing about equal amounts of the remainder. The amounts taken from American countries are indicated in the following table:

IMPORTS OF CACAO FROM AMERICAN COUNTRIES INTO THE UNITED STATES—1913–14[1]

| Country | Pounds | Value |
|---|---|---|
| *Caribbean and Mexico* | | |
| Costa Rica | 73,316 | $9,525 |
| Panama | 121,547 | 12,637 |
| Mexico | 3,509 | 1,051 |
| Jamaica | 962,292 | 102,660 |
| Trinidad and Tobago | 39,672,729 | 4,891,574 |
| Other British West Indies | 3,427,405 | 378,093 |
| Cuba | 2,818,188 | 326,642 |
| Haiti | 2,245,943 | 218,947 |
| The Dominican Republic | 26,782,966 | 3,187,006 |
| Colombia | 139,528 | 16,864 |
| Dutch Guiana | 4,051,868 | 473,883 |
| Venezuela | 4,003,464 | 552,547 |
| Total | 84,302,755 | $10,171,429 |
| *South America* | | |
| Brazil | 25,870,186 | $2,764,766 |
| Ecuador | 26,319,735 | 2,693,674 |
| Grand Total | 136,492,676 | $15,629,869 |

[1] *Trade of the United States with Other American Countries, 1913–14*, Miscellaneous Series, No. 23, Washington, 1914.

Various influences tend to show that the interest of the United States in this industry will increase. (1) Chocolate consumption in the United States is rapidly growing. (2) The fact that cacao plants in America have generally been free from the diseases which have cut into profits of the English plantations in the Gold Coast make the crop one the production of which will attract capital so long as the demand continues to keep ahead of the supply, as it has in recent years. This freedom from blight gives an advantage to cacao production, as compared to banana raising which has been seriously interfered with by disease in recent years, especially in Costa Rica. (3) Further, cacao production does not require a large capital outlay, a great advantage it has over both sugar and banana raising. To be sure, there are some huge plantations, such as the 100,000 acres of the Caamano Tengel Estate in Ecuador, but the industry is one that is well adapted to development on a basis of small holdings. This will make it easier to induce capital to enter the business, and to the extent that the plantations remain in the hands of residents it will bring a wider popular interest in the maintenance of order than is usually the case where great estates predominate. (4) The Caribbean region in which cacao can be grown is large. Companies, in widely varying districts which have suffered from banana blight, have found the crop can be substituted without difficulty.

To summarize the relation of the United States to the economic development of the Caribbean, we should hold in mind the following facts:

1. Every industry of great importance in the Caribbean finds the United States the greatest buyer of the commodity it produces. The United States distances all the great commercial countries of the world as an importer of sugar. The annual per capita consumption in this country is 86 pounds. It has risen every decade since 1830 and between 1900 and 1915 increased from 58.9 pounds to 86 pounds, or over 43 per cent.[1] These figures speak conclusively for the continuance of the interest of the United States in Caribbean sugar, and for Caribbean solicitude for its great northern market.

The United States is the world's great consumer of coffee. It takes half the world's crop. Its per capita demand is greater than that of any other important commercial nation. It consumes over a fourth of the world's cacao and its demands are rapidly rising. In the Caribbean fruit trade the United States market is, with a trifling exception, the only profitable one. Caribbean iron mines export ore practically exclusively to the United States. We shall be the great market for their petroleum as we are for that of Mexico at present. Not a single important Caribbean industry has been developed or gives promise of developing the success of which is not closely linked with the economic interests of the United States.

2. The Caribbean is the natural region for the investment of surplus American capital. Railways, asphalt concessions, sugar, coffee, tobacco, cacao plantations,

[1] These figures are based on the statistics of T. G. Palmer, *Sugar at a Glance,* Sen. Doc. 890, 62nd Cong., 2nd Sess., Washington, 1912, and *Commerce Reports,* Oct. 8, 1915.

mines, port works, municipal improvements have already been financed by American capitalists and are likely to be in the future to an increasing extent.

Quite aside from the purely political factors determining the relation between the United States and the Caribbean, it is self-evident that the economic advantages of both will create for them an ever greater identity of interest.

# CHAPTER XVI

## THE INTERNATIONAL IMPORTANCE OF THE BANANA TRADE

To those in world trade names of countries and regions suggest their products. It has always been so. The East Indies four hundred years ago meant spice; two hundred years ago China meant silks and tea; Canada meant fur. The Caribbean to Queen Elizabeth meant gold—it was the route of the treasure ships of Spain—to Washington it meant sugar and molasses, and to our children it will suggest bananas.

New foods often make their way slowly, especially among older nations. The English are still behind the Scotch in their appreciation of the value of oats for human food; the potato came into its own in Germany only in the second half of the nineteenth century and Europe still looks upon maize as fit nourishment only for the lower animals and the poor. But even prejudice yields to proof. The development of the banana market illustrates both conservatism and its overthrow.

America only, among the important commercial countries of the globe, realizes the value of this new food. Location rather than adaptiveness, till recently, explained the fact. When refrigeration was unknown and fast steamships for freight service still a thing of the future bananas could be marketed only within areas

easily accessible from the regions in which the fruit was produced. Large quantities grew wild, enormous amounts were consumed locally, but the surplus either went to waste or was used to fatten pigs, as is still the case with the inferior product. Even in the United States, until a generation ago, the banana was a fruit counted a luxury rather than a valuable food. The beginning of the banana trade was made in 1866 by Mr. Carl B. Franc [1] who imported on a small scale from the Panama region to New York. For some years he had a virtual monopoly on the Philadelphia and New York market but his enterprise did not develop permanence, and the credit for making the banana a feature of our fruit markets belongs to another pioneer, Captain Lorenzo D. Baker. In 1870, on returning to Boston from a trip to the Orinoco, he called at Port Morant, Jamaica, for a cargo of bamboo for paper making and carried back a few bunches of bananas, then a curiosity in the New England markets. The venture proved profitable and the captain thereafter made several trips a year to Port Antonio, Jamaica, on a small schooner of 120 tons, the *Eunice P. Newcomb,* to take cargoes of bananas to Boston. Later the firm of L. D. Baker and Company was formed to prosecute the trade, which in time was reorganized as the Boston Fruit Company and finally as the United Fruit Company. Meanwhile, of course, other companies have entered the field.

How important the trade has become is illustrated by the figures of exports. In 1911, there were sent from

[1] Adams, F. U., *Conquest of the Tropics,* New York, 1914, pp. 35-36.

Caribbean countries in the export trade, 50,288,585 bunches, which on the average of 140 bananas to the bunch, represents a total of over 7,000,000,000 bananas. We now import annually about sixty-five bananas for each man, woman and child in the Union.[1] The chief sources from which they come are indicated by the following table:

CHIEF SOURCES OF THE BANANA SUPPLY OF THE UNITED STATES—1914 *

| Country | Bunches |
|---|---|
| Jamaica | 15,676,864 |
| Honduras | 8,433,895 |
| Costa Rica | 5,398,930 |
| Panama | 5,690,300 |
| Cuba | 2,354,395 |
| Nicaragua | 1,828,200 |
| Guatemala | 3,338,510 |
| Colombia | 2,262,828 |
| Mexico | 2,697,272 |
| British Honduras | 742,925 |
| The Dominican Republic | 248,115 |

* Compiled from *Trade of the United States with Other American Countries, 1913–14*, Washington, 1915.

The world's supply in 1911 as shown by the consular returns was:[2]

| Country of Origin | Bunches |
|---|---|
| The Dominican Republic | 404,000 |
| Mexico (Frontera Province) | 750,000 |
| Honduras | 6,500,000 |
| Costa Rica | 9,309,586 |
| Jamaica | 16,497,385 |
| Colombia | 4,901,894 |
| Panama | 4,261,500 |
| Canary Islands | 2,648,378 |
| Cuba | 2,500,000 |
| Nicaragua | 2,225,000 |
| Guatemala | 1,755,704 |
| British Honduras | 525,000 |
| Dutch Guiana | 387,516 |
| Others | 250,000 |
| Total | 52,936,963 |

[1] In 1914, continental United States alone consumed 48,683,592 bunches or about 6,800,000,000 bananas.

[2] *Daily Consular and Trade Reports*, Dec. 26, 1912.

Two facts appear from these figures: With the exception of the Canary Islands, all the countries producing large quantities of bananas for export border the Caribbean, and of those exported the United States consumes many times as much as any other country and far more than all the rest of the world combined. Even with us the great increase in banana consumption comes in recent years.[1]

European countries are now coming to appreciate the new food; in fact, the most rapid increase of consumption and the best prices are now received there rather than in the United States.

The world is just awakening to the value of the banana as food. The acreage devoted to banana growing is being rapidly increased. This can be easily done for the areas suitable have as yet only been touched. Improved refrigeration and quick steam service will continue to widen the area in which the product can be marketed, and besides its present use as a fruit it will be used as it now is in the tropics, where it is boiled green as a vegetable and manufactured into a variety of by-products, among which are a confection known as "banana figs," banana flour and banana vinegar. These may become the basis for the industry in areas too distant to profit by the demand for fresh fruit. If present development continues, it will be an important factor in

[1] The value of imports was $5,877,835 in 1900; $9,897,821 in 1905; $11,642,693 in 1910; $14,368,330 in 1912 and $16,397,844 in 1914.

*Monthly Summary of the Foreign Commerce of the United States*, June, 1915, p. 1000. In the year ending June, 1915, the total fell to a value of $13,512,960.

raising the Caribbean region from its present none too stable economic condition to one in which it will occupy a secure position as a region from which an important article of the world's food supply will be drawn.

But the development will have consequences not merely economic. Plantations represent capital which will demand protection from disorder. The economic importance of banana exports is not now comparable to that of sugar in the Caribbean region, but in the need of protection to investment the banana plantations occupy a position greater than their value would indicate, for whereas sugar production occurs in the Caribbean chiefly in its stabler communities, the principal banana regions, with the exception of those in Jamaica, are in weak states. The introduction of capital, however, besides increasing the duties in the keeping of order contributes to the solution of that problem. It increases the national wealth in furnishing a larger basis for the creation of national income by which orderly progress can be assured. Further, with steady work and larger, stabler income, the wants of the people will expand, giving them greater interest in the maintenance of the order which makes the satisfaction of those wants possible.

Moreover, an immediate consequence of the development of the direct trade with Europe, now just beginning, is to threaten the supremacy of the United States in some of the Central American markets. People buy their goods, other things being equal, in the countries where their own products find their best sale. If improved transportation facilities for the banana trade

develop between the Caribbean and European ports, it is but natural that more European manufactured goods will seek market there.

Direct shipments have been established already through the banana trade by the United Fruit Company and the Hamburg-American line between European ports and Mexico, Jamaica, Honduras and Costa Rica. Already our Central American consuls have warned us of the coming competition which we must expect in that region from the new direct outlets for French, German and English trade.

We have been fortunate heretofore because, especially in some of the regions of Central America and in Jamaica, we have been practically the only great buyer of the most important product of the country. If present developments continue, however, this advantage along with our favored conditions of transportation will disappear.

# CHAPTER XVII

## OIL ON THE CARIBBEAN

ALMOST unnoticed, the conditions which underlie sea power are undergoing a revolution. The nineteenth century saw the abandonment of the wind-driven craft upon which the world had relied since the beginning of history in favor of vessels propelled by coal and steam. The twentieth century promises a change no less remarkable. Coal as fuel is rapidly yielding place to petroleum and gas-driven motors seem about to crowd out the steam engine.

The change to oil as fuel for large ships is already in progress. Almost all large vessels whose routes carry them near oil fields are being fitted to use petroleum instead of coal. The change from the steam engine to the gas motor is coming more slowly. The crude-petroleum-consuming motor has only recently emerged from the experimental stage, but it seems highly probable that in a few years it will play an important part in both the merchant marines and navies of the world.

There are already in operation motor-driven Danish merchantmen of 7,000 tons, "sailing" in the Far Eastern trade, and two German firms are building vessels of this pattern which will register 10,000 tons. But even if the motor-driven liners and battleships never

come or are delayed, the oil-driven liners and battleships are present-day facts.

The nation which controls the oil supply possesses one of the great factors upon which ocean-borne commerce will depend and about which naval policies will turn. Most fortunate of all is the nation which controls oil supplies which lie near the points where the world's great trade routes cross. In time of peace such resources will find a ready market, and in time of war they will prove possessions of greatest strategic importance.

The public has not realized the steps already taken by the great naval powers to prepare for the shift to oil as a fuel for their battleships. All the battleships of the American Navy built in the last eight years use oil for fuel, eight use it as auxiliary to coal, four use it exclusively. In 1915, the first two battleships of the dreadnought type, the *Oklahoma* and the *Nevada,* using oil exclusively for fuel, were added to the Navy. Forty-one of our destroyers built or building use oil fuel only. Storage facilities are being proportionately increased. Oiling stations are replacing coaling stations. In 1912 steps were taken for construction of fuel oil tanks at Pearl Harbor, Hawaii; Melville, R. I.; Norfolk, Virginia; Charleston, South Carolina; and Key West, Florida. Five tanks are already in use at Guantanamo, Cuba. The combined capacity of all these is 3,890,000 gallons.[1] The amounts used by the Navy are steadily

[1] *Annual Report of the Navy Department,* 1912, p. 37, and Report of the General Board, published in *Annual Report of the Secretary of the Navy, for the Fiscal Year 1914,* Washington, 1914, p. 60.

increasing.[1] Our present oil-burning fleet would require 23,000 tons of fuel oil to keep it in active service for a single month. "Henceforth," announces Secretary of the Navy Daniels, "all the fighting ships which are added to the fleet will use oil, and the transition from coal to oil will mark an era in our naval development almost comparable with the change from black powder to smokeless powder for our guns." [2]

But more significant is the recently announced intention of the British Admiralty that all British warships to be built from now on will use oil for fuel exclusively. This action is one which will almost certainly be followed by other naval powers. The performance of the oil-driven vessels in the European War has been especially satisfactory. The great super-dreadnought *Queen Elizabeth,* which did such effective work in the Dardanelles, is entirely oil-driven and shows that the use of this fuel is not limited by the size of the vessel. The success of this and other experiments has led the British Government during the course of the war to convert the *Royal Sovereign* to the oil-fuel basis.[3]

The change in the propelling power of our ships of war and peace marks the beginning of a new chapter in marine affairs. It is especially significant for the great naval powers—a fact which has not escaped their attention. Curiously enough, the oil wealth of the world

[1] *Annual Report of the Navy Department,* 1912, p. 206 and Report of the General Board cited above.

[2] *Annual Report of the Secretary of the Navy, for the Fiscal Year 1914,* Washington, 1914, p. 13.

[3] See Speech of Winston Churchill reported in *London Times,* Feb. 16, 1915, p. 10.

lies very largely in the hands of nations which are either outclassed in the naval competition, or are peculiarly hampered by circumstances. This is, of course, explained by the fact that oil resources were unknown or unappreciated at the time when the treaties determining the ownership of the regions in which they lie were made. In any great war in which control of the sea becomes a major issue their continued possession by the weaker powers can hardly fail to be called in question. Only the practically complete control of the sea by one group of powers has prevented the raising of the issue in the present conflict. For this reason, the possession of oil resources still remains as it was when the conflict broke out.

The facts of the situation at present are these: The greatest oil wells of the Far East are in the Dutch East Indies, the greatest in the Near East lie in Russian territory near the Caspian. Russia is a great power, but for historical reasons she has never been a naval power of the first importance. Next in importance among European wells are those in Roumania. The great oil fields discovered in the New World have, until recently, been almost exclusively in the United States. Curiously enough, therefore, the developed oil resources are controlled by non-naval powers with the exception of those held by the United States, the product of which, in 1912, was three times that of the Russian fields and more than a hundred times that of the Mexican region, the two nearest competitors.

But what of the oil regions which may be discovered in the future? In whose territory will they lie and to

whose commercial and naval strength will they contribute? It needs no argument to prove that every naval power will be eager to explore and develop its own oil resources and to get control of any other source of supply possible.

It is from the latter point of view that oil development becomes of great interest to the Government of the United States. Owning the most productive oil fields yet discovered in the world, there is no question of the adequacy of our supply to meet any demand which may be made upon it for naval purposes, but the control which might be secured by other powers over oil regions lying in or near districts in which we have important interests must necessarily be for us a matter of great concern.

In no region of the world is the importance of this question so great to the United States as in the Caribbean countries. In no region of the world, too, are there better prospects for the discovery and development of important oil resources. In fact, from Tampico to Trinidad there is a group of countries which, it is asserted, promise better for oil development at present than any similar area in the world.

Oil development in the Caribbean is still in its infancy. It began hardly fifteen years ago, but there seems to be every reason to believe that there will develop close at hand a cheap, unexcelled fuel supply to serve the rapidly increasing commerce of the region.

The opening of the Louisiana and Texas oil fields had created a desire to explore the possibilities in Mexico long before active steps were taken to do so. The

existence of oil in the country had long been known. It is said the Aztecs used the petroleum which oozed from the soil near Tampico in the ceremonies of their temples, but no serious attempt was made to bring the deposits to commercial use till about 1900. Then a Mr. Doheny of San Francisco visited the Tampico region, and on his return organized a company of local capitalists to exploit the "new" oil region. The product, at first, was poor and could be used only for fuel, but as development progressed better grades were discovered. Soon the Mexican National Railways adopted oil as fuel for their engines. The Waters Pierce Oil Company, at that time in high favor with President Diaz, got extensive concessions. The English firm, S. Pearson and Son, Limited, became interested and Mexican oil production started on a rapid increase.

In 1900, the country was practically unknown among oil-producing regions. In 1907, it produced a million barrels; in 1912, about sixteen million; in 1913, twenty-six million. There were thirty companies operating, and since then Mexico has ranked next after the United States and Russia in total oil production. The towers of the Tampico-Tuxpan region make a landscape comparable to the busiest sections of the Pennsylvania fields in their most active days. Some of the wells have been producing at unprecedented rates. The largest gusher near Tampico, known as "Potrero del Llano No. 4," flowed 120,000 barrels a day for over three months before it was finally capped. No other single well, of which there is record, has equaled this performance.[1]

[1] For recent Mexican developments, see *Daily Consular and*

How great the Mexican oil resources may prove to be can only be conjectured. If conservative estimates are to be relied upon, oil, within the next generation, will prove a greater source of wealth for the country than her gold and silver mines ever were. The oil fields of the United States, which have played so important a part in the industry, cover a combined area of 8,300,000 acres. Those of the Tampico-Tuxpan region alone cover 5,000,000 acres and their possibilities are only beginning to declare themselves. Nor are these fields the measure of those found in Mexico. Other regions where oil is known to exist have as yet not been opened to exploitation and their possibilities are unknown.

Central America has no important oil development though the prospects there are declared to be highly promising. Engineers are already prospecting in the six republics and the great oil interests are asking concessions to cover whatever oil wealth they may discover.[1]

But the fields that now excite the greatest expectation and interest lie still farther south. Beyond Panama lie unexploited oil regions which, judging by their extent at least, promise to do more perhaps than even the Mexican fields to make the Caribbean a center of world interest. These prospects lie in the two republics of northern South America, all within easy distance of the sea and of a combined extent greater than the area of the Re-

*Trade Reports*, Dec. 26, 1913, and *Commerce Reports*, Feb. 4, 1915; March 3, 1915; March 12, 1915; Oct. 22, 1915.

[1] Details of these projects are given in *Engineering and Mining Journal*, Jan. 10, 1914, and in *Daily Consular and Trade Reports*, Oct. 3, 1913, and in various issues of the *Pan-American Bulletin*, 1913-14.

public of Panama. The most promising districts are in Colombia. One lies along the coasts of the Gulf of Darien close to the Panama boundary line, another is between the Atrato River and the Pacific, thus furnishing possibilities of supplying fuel to vessels on the west coast of South America. This field is almost as close to the canal on the Pacific side as the first is on the Atlantic. The other fields, greatest of all in extent, lie in the valley of the Magdalena River not too far distant from the sea to be reached by pipe lines, but capable also of being reached directly by water transport.

The oil resources of the neighboring republic, Venezuela, have not yet been determined. Since 1912 "one American company has maintained a large corps of engineers in various parts of the country making expert examination of oil and asphalt prospects." [1] The General Asphalt Company of Philadelphia is reported to be making extensive surveys. Twelve parties were reported as in the field, each with a geologist in 1913, and developments of a substantial character were started by the Venezuela Oil Concessions, Limited, a British concern, with a concession covering 3,000 acres.[2] Off the coast of Venezuela lies the British island of Trinidad in which earnest efforts are being made to develop oil wells. Although the industry is just beginning, 147 wells have been drilled of which 41 were sunk in 1914. Of these, 18 were productive.[3] Nine different com-

[1] *Daily Consular and Trade Reports*, Oct. 24, 1913.

[2] *Engineering and Mining Journal*, Jan. 10, 1914.

[3] *Engineering and Mining Journal*, Jan. 9, 1915, p. 125. The output in 1914 was 563,000 barrels.

panies are drilling for oil in the southern half of the island. Two companies are to erect refineries and the British Admiralty is prepared to purchase there a portion of the Navy's fuel oil.[1]

The importance of the control of oil as a factor in the international politics of the Caribbean can hardly be overemphasized. It may not only mean the dominance of the resources which determine the economic growth of the republics and colonies of the surrounding coasts, but it will have an important effect on the marine policies and therefore on the political influence of the countries competing for position in naval affairs.

The control of oil resources is not an economic problem only, such as is presented by concessions granted for the building of lighting plants, street railways, mines, or even great railway trunk lines. Oil concessions like these, when granted to foreigners, are likely to raise questions of the extent to which the rights of foreign investors will be protected by force by their home countries. But it may be not only this vicarious and indirect interest which the foreign power will feel in defending its subjects' oil wells; every great nation, which feels that the control of oil measures its international mercantile and naval power, will be prompted to support its subjects in ways and degrees which may make our previous disputes over asphalt grants and railway concessions insignificant in comparison.

The Government of the United States will not be slow to see the importance of the oil supplies in the neighboring republics as an influence on her own foreign

[1] *Daily Consular and Trade Reports*, Nov. 5, 1913, p. 657.

policy. Our interests in this matter have thus far been brought into contrast with those of only one other power, but the general policy which we may adopt will have a much wider application. So far as a supply for our own governmental needs is concerned, no question is apt to arise, but the degree to which other nations may get *de facto* control of Caribbean oil resources may be for us a matter of great importance.

The attention of the Foreign Offices of at least two great nations has already been called to the importance of protecting oil properties. The great English contracting firm, S. Pearson and Son, Limited, have important holdings in Mexico. Since the United States refuses to allow other countries a free hand in dealing with Latin-American countries, this corporation demands that the United States itself assume the responsibility of protecting the property of foreigners. The holdings are of interest to our State Department, not only because of their economic importance, but because of the long-time contracts which the company has with the British Admiralty for the supply of fuel oil for British battleships.

These factors force the United States to consider again the interpretation which is to be placed on the Monroe Doctrine. The control of oil resources may mean a shift in military power in the Caribbean which would make the defense of the established American policy increasingly difficult.

Where the Caribbean oil regions lie within the limits of European colonies they stand in the same position as other resources so far as the United States is con-

cerned. Our State Department could raise no objection to their development by whatever means seemed best to the owners. Technically, the same would be true of the regions lying in the Latin Republics. *De facto,* the United States cannot view the auspices under which the development occurs there with indifference. Especially is this true when the interests of the corporation doing the work would be closely allied to the military interests of the home country.

In fact, the oil holdings of the Pearson syndicate in Mexico seem already to involve a situation the duplication of which the United States may well think to its interest to forestall. In the hands of other than British nationals there is no doubt that these oil holdings would already be a source of anxiety. If, for example, the development had taken place under a Japanese corporation and had occurred on the west instead of the east coast there is little doubt that a great outcry would have been raised in this country.

The recent attempt of the Pearson syndicate to extend its oil holdings to the undeveloped fields of Colombia illustrates both the sensitiveness of American public opinion and the deference paid to it by the English concessionaires. The application for a concession in Colombia is reported to have included the right to prospect for oil anywhere in the public domain in a region covering 10,000 acres. Permission was to be granted to build pipe lines, railways, canals, docks, storage warehouses, refineries, power plants, telephones and telegraphs.

The extensive properties which could be acquired

under such an arrangement, especially the oil-loading facilities, which from the nature of the business would have been built, would have made the seaport where the products of the enterprise were shipped little less than a naval base. In view of the company's close connection with the British Navy, the United States could hardly fail to consider the concession one which seriously affected its interests. Of course, Great Britain is free to establish coaling or oiling stations in Trinidad just as she is free to fortify the Bahamas, but an extension of British control to the source of supply in countries not now under control could not but be unfortunate from the American viewpoint. A similar grant to other nations would have been even more objectionable to the American public. If the grants were confined to British companies there might be little real reason for alarm, for a war between the Anglo-Saxon peoples is unthinkable and British control would at least mean neutral control. But if the grants to one power were unobjectionable no exception ought to be taken to concessions to other powers.

Fortunately, the proposed concession to the Pearsons now appears to be dropped. It was granted by the Ministry and approved by President Restrepo in April of 1913, but the Colombian Senate declined to ratify the action and the Pearsons have announced that, due to the criticism by American public opinion, they will not press the matter further. As a result, Great Britain has turned elsewhere to assure her Navy an oil supply. The failure of the proposed Colombian grant and the uncertainty of the supply from Mexico resulted

in an agreement by First Lord Winston Churchill with the Anglo-Persian Oil Company. By this contract the Admiralty, it is reported, acquired for £2,000,000 a controlling interest in the company's wells in two provinces of Persia.

Straws show which way the wind blows. Many people in the United States thought the Lodge Resolution concerning Magdalena Bay, when it passed, an unnecessary affront to a friendly nation and an unwarranted and inadvisable extension of the Monroe Doctrine. Recent developments may show that the policy of the United States must be a frank avowal of the principles of the Resolution, if the Monroe Doctrine is to keep its substance and not become only a form.

In any case, we must realize that the development of the oil fields of the Caribbean is essentially unlike the development of other national resources. Oil is a political, as well as an economic factor, in the development of the region which is necessarily the most important sphere of interest to the United States.

# CHAPTER XVIII

## BIG BUSINESS AND THE CARIBBEAN

INTENSIVE development of national resources is not a characteristic of the Caribbean. The exploitation of natural wealth there, as in South America, is as a rule superficial. Attention has been concentrated on the few sources of wealth which bring quick and easy returns.

For this condition there are many reasons, affecting different regions in various degrees. In some cases, the principal obstacle has been disturbed political conditions, and often mistaken fiscal policies have retarded development. The lack of an adequate and reliable labor supply has been another handicap. A more general difficulty, largely rising out of the causes mentioned, has been the lack of capital willing to invest. In our day no country can reach the position it should in the world's commerce unless it has within its borders, or can attract from abroad, the necessary money for the development of its resources.

The capital, which in recent years has sought investment in the Caribbean, has been to a large degree not in the hands of small holders, but controlled by great corporations. These have started their activities in the development of a single product which from its nature it might be impracticable or impossible to handle with small capital. Theirs were enterprises which, handled

on a large scale, would bring great profits. Though some industries have grown remarkably under the stimulus furnished in this way, that growth has distracted attention from other lines of development, which may contribute largely to the future prosperity of the region, and may form the basis for a stabler citizenship.

An illustration of the advantage reaped when exploitation is in the hands of large organizations is given by the production of asphalt. In this case, of course, the position of the deposits of itself favored a concentration of ownership. They were so localized that their operation could be made most profitable only when the working of the entire area could be coördinated under a single management. Refining machinery demanded larger outlays than could be made by local capital. The marketing could be done best in large quantities, especially when, as formerly, the product was carried to vessels into the holds of which the raw material was dumped, there to lie compacting itself until again "mined out" at the port of delivery.

The industry in the Caribbean is now dominated by a single company which controls both the Bermudez Asphalt Lake in Venezuela and the Trinidad Asphalt Lake.[1]

The fruit trade has undergone a similar development. Production to some extent may be left in the hands of small planters and a minor part of the total amount

[1] See *Annual Report to the Stockholders of the General Asphalt Company*, for the Fiscal Year Ending April 30, 1914, Philadelphia, n. d.

marketed is still thus grown; but the work even in this stage of the industry is more efficiently performed by aggregations of capital which can assure a steady supply and transportation facilities that can be depended upon. The small planter must ordinarily market his fruit by sending it to tidewater or to the railroad on mule back. The large company can build branch railroads to its plantations and ship the product at a fractional part of the cost of animal transportation. In this manner it can exploit regions which otherwise lie too far distant to allow their profitable cultivation.

If the steamer cannot berth at a dock, the small producer is at a disadvantage because he cannot buy a lighter nor build the necessary landing pier. In most of the Caribbean banana regions, too, the public authorities cannot, or at least do not, furnish him with these facilities. Shipments to foreign countries cannot take place in the ordinary cargo vessels. Specially constructed steamships with refrigerating appliances are necessary to keep the product from ripening too rapidly. As a result of these conditions the export of fruit in the Caribbean has come to be almost entirely controlled by a few large concerns, the pioneer companies. They grasped the opportunity to stake out extensive claims for future development. The largest of these corporations early realized that there are on the Caribbean coast of Central America few natural harbors. Trujillo, Honduras; Puerto Barrios, Guatemala; Puerto Limon, Costa Rica; and Bocas del Toro, Panama, are the best. Its agents bought extensive tracts of land where access to deep water was easy and where rail

termini were sure eventually to be located. They paid only a nominal price for what was then fever-infested jungle, inhabited by a few scattered Indians. Another advantageous location of port and banana lands was found farther south at Santa Marta, Colombia. Purchases were made there, also. Still later extensions were made in the Dominican Republic and Jamaica.

One company chiefly engaged in the exploitation of the banana trade claims, with its allied interests, to have expended $200,000,000 in the American tropics.[1] It reports its resources devoted to Caribbean development as $88,867,408.27.[2]

Developing an industry in the American tropics such as this involves an undertaking of responsibilities, usually borne by state and municipal authorities. In fact, a large exploitation company in the Caribbean approaches the position of a state within a state. Any government in the territories taken over was often practically non-existent. There were no efficient police, no roads, no stores, no laborers, no towns, no sanitation systems. The company must keep order; it must build roads; it must build and maintain stores; found and build towns, install sanitation systems, and generally assume, or have authority delegated to it, that would be dangerous in any ordinary "democracy."

The story of Central American railroads is similar. Railroad contracts have been the source of much trou-

[1] Adams, F. U., *Conquest of the Tropics*, New York, 1914, p. 166.

[2] *Fifteenth Annual Report to the Stockholders of the United Fruit Company*, 1914.

ble to these weak republics; but railroads are essential also to make them prosperous. The east and west coasts of Central America, without railroads, are almost as far apart, when the danger to human life involved in a "transcontinental" journey is considered, as was the Middle West from California in the early fifties of last century. Their markets are as inaccessible as those of California were, and the chances of sectional disagreements and disorders greater. Gradually railway connections are being established. Often the extensions are to give service to fruit plantations, or are financed from the west coast inland by hypothecating the export tariff upon the coffee crop. Hundreds of miles are private lines on which all traffic, except fruit, is of negligible importance. Even where a railway is publicly owned, as in the case of the Costa Rica Railway, it is frequently operated by a foreign corporation. In Costa Rica there are reported to be 402 miles of railway.[1] A single company counting lines owned and operated controls 387.75 miles.[2] In Honduras one corporation owns 134.21 miles of railway.[3] There are reported to be 174 miles in the Republic.[4] The Central American railway system, as a whole, is apparently more and more coming to be under the control of the corporation known as "The International Railways of

[1] *Statistical Abstract of the United States, 1914,* Washington, 1915, p. 690.

[2] *Fifteenth Annual Report to the Stockholders of the United Fruit Company,* 1914.

[3] *Ibid.*

[4] *Statistical Abstract of the United States, 1914,* Washington, 1915, p. 690.

Central America," of which the moving spirit is Mr. Minor C. Keith, one of the pioneers in the development of the Central American fruit trade.[1]

The sugar industry also illustrates the tendency toward concentration of control. It has never been a small owner's business. The conditions of its production have been favorable only to the man with large capital, even when very great capital is not needed. This is true under the free labor system as well as under slavery. It has become more marked in recent years with the replacement of old processes in which the wind had to be relied upon to furnish the power to grind the cane, and sun-dried grindings were the fuel for evaporating the surplus water in the juice. The forced draft furnaces, which now burn the cane fresh from the rollers, furnish power for the grinding and heat for the vacuum pans, represent at once a more economical method of production, one with which the wind-driven mills of former generations cannot compete, and one which the small producer cannot afford.

The advantages of organizations with large capital are shown by the developments in the sugar industry of Cuba. There is in the island an investment of at least $50,000,000 in sugar mills and lands by American capitalists alone.[2] Though Cuba produced sugar worth

[1] See *Forty-First Annual Report of the Council of the Corporation of Foreign Bondholders*, London, 1915, under the discussion of the various countries; Adams, F. U., *Conquest of the Tropics*, New York, 1914, p. 196, *et seq.*; and *Daily Consular and Trade Reports*, Sept. 8, 1914.

[2] *Daily Consular and Trade Reports*, July 11, 1911. The holdings of a single company in plantations and mills are valued in

approximately $240,000,000 in 1914, only 172 establishments were reported as engaged in the industry.[1] The Chaparra mill at Puerto Padre produced in 1914, 195,000,000 pounds of sugar, and a sister establishment, Las Delicias, some seven miles away, produced the enormous total of 325,000,000 pounds.[2] The sugar development of the Dominican Republic was reported in 1911-12 as in the control of only fourteen estates.[3]

In securing labor the small producer has to rely principally on the local supply. The large company may, as is the case on the west coast of Central America, import better labor from other parts of the Caribbean or even from the Far East. The latter has been done by the Governments of Trinidad and British Guiana to the great benefit of the owners of the sugar estates. These imported laborers once introduced into the country may at the end of their contracts go to work where they will, a practice which is marked among the East Indians introduced in the British colonies. But the advantage of indentured labor is greater for the men with large capital than for those with small holdings.

A review of the tendencies which are leading to increased emphasis upon great capital as an element in

its annual report at a book cost of $8,473,788.47. See *Sixteenth Annual Report to the Stockholders of the United Fruit Company,* for the fiscal year ending September 30, 1915, n.p. n.d.

[1] *Cuba,* Reno, Geo., Havana, 1915. In 1915, 170 estates are reported as operating. *Commerce Reports,* Sept. 29, 1915.

[2] *Cuba,* Reno, George, Havana, 1915.

[3] *Diplomatic and Consular Reports,* British, 1912-13 [cd. 6006–212], Sept. 29, 1915.

the development of the Caribbean and which, therefore, accentuate dependence on the foreigner should not leave the reader with the impression that there are no industries in which individual control does not predominate or regions in which the small owner is not holding his own. Coffee estates in Central America and northern South America are still held to a large extent by men of only moderate financial resources. Cacao production has not passed under centralized control. In Trinidad and Tobago, especially, it is still typically a small-holdings industry. Cattle raising, mining, with some exceptions, and the simple manufacturing industries characteristic of the region are activities in which the basis of organization still allows operation with moderate capital. Copra production, from which much is hoped, is also an industry that may well develop under the control of small owners.

Taken as a whole, however, industrial organization depending on local capital is weak and contributes comparatively little to foreign trade. The great bulk of the exports is raw materials, partly manufactured goods such as sugar; and fruits, produced and marketed by great commercial organizations drawing their resources from abroad. The money for developing concessions to supply transportation services by water and by land largely comes from foreigners and the services themselves are often run by them. Even the Government monopolies are not infrequently farmed out to Europeans or Americans.

This condition is paralleled by the preponderance of the products of big business in the import trade. This

is due both to the character of the population and to the character of the developments in the respective communities. The people are not of great consuming capacity. Their average standard of living is low. As a consequence, the amount of highly manufactured goods imported, such for example as electrical apparatus, household furniture and fine leather goods, is much smaller than the size of the population might lead one to expect. The imports which find their way into the hands of the common people to an appreciable amount are chiefly the standard foodstuffs, especially flour, rice and meats. A marked characteristic of the import trade is the large percentage of heavy materials for the developing industries. Iron and steel for construction work on railroads; machinery generally; and illuminating oil and coal occupy important positions. These are not goods produced and handled by small traders. The importance of the products of great corporations is especially characteristic of the imports from the United States. About three-fourths of our exports to Central America, for example, are reported as products of "big business."

Caribbean development is one, which, on account of these conditions, presents problems far different from those that confronted our pioneers when they went out to wrest a living from the West. This is true in the industries ordinarily suited by their character to individual as well as corporate exploitation. Even the developments in agriculture are of a sort unfamiliar to farmers of temperate zones. The climate is more trying and the pioneer cannot rely on his own labor. In

addition, the settler must have considerable capital. There is no future for the man who has only a few hundred dollars and his hands. He must be able to invest several thousand dollars at least; must be able to wait for several years before he can look forward to a return, unless he buys a running enterprise. He cannot count on making his enterprise almost self-supporting as the pioneers did in the United States. His experiment would be one which would not yield a diversity of products almost sufficient to sustain his family. It may do this for the native, but it will not for the white settler who is accustomed to the standard of life of the temperate zone.

Even if the handicaps of climate, labor supply, unfamiliar methods of production and lack of capital should be overcome, the new man in the Caribbean might find his enterprise wrecked by difficulties of transportation, plant diseases, and in far too many cases by civil disturbances. There are great opportunities here for those who, with intimate knowledge of local conditions—climatic, racial and governmental—can invest large capital, wait for several years for returns, and stand the strain of heavy temporary losses. But the opportunity for the small man too often proves a gambler's chance.

The American tropics have great possibilities of development in the twentieth century, but not a development that will parallel that of the temperate portions of North America during the past hundred years. The United States has had the development of "big business," but there it has perfected its organization in the manufacturing industry. In the Caribbean manufac-

ture is almost negligible. Big business has already entered largely into the field of agriculture and forms almost as characteristic a feature of the life of the communities of the Caribbean as it does in the manufacturing industry in the United States. Big business now employs large numbers of skilled laborers in the northern regions, but not so to the southward. The work there demands only unskilled "hands," for the tasks are simple. The industrial development of the United States is one which characteristically employs white labor. The contrary is the case in the Caribbean. Whatever development may take place in the plantations cultivating coffee, cacao, bananas, coconuts and sugar cane, it seems almost certain that the common laborers will be men of darker skins. Porto Rico and Cuba, Costa Rica and Salvador, in many ways the most promising and advanced of Caribbean communities, have the largest percentage of white blood. Elsewhere in the Caribbean the population is predominately "black" in the islands; and "red" on the mainland.

Taken altogether, these elements make a situation likely to raise difficult questions for a democratic country like the United States, assuming an increasing degree of control over the Caribbean communities. A colored population with a low standard of life; governments, as a rule, of unstable character except where steadied by control from Europe or North America, and large organizations of capital playing an important, if not the dominant part in the national economic development—these are factors which may raise problems difficult for any government to solve, and especially

difficult for a republic with the traditions of the United States. This last problem—the control of corporate wealth—may here assume a relative importance much greater than it has yet reached in temperate regions. It is essentially a domestic question but one with which Caribbean governments are ill fitted to deal. The greatest problem of these regions may come to be, not the conquest of their diseases, nor the development of their natural resources, nor even their control for the advantage of American powers, or of the world; but, more important than these, the assurance of justice in the relations between a colored population of few wants, low education and high birth rate, and large organizations of capital invested from abroad unaffected by local public sentiment, and relying for protection upon interference by the foreign office of the home Government, rather than upon the local public opinion and courts. That such problems are already of not infrequent or trifling importance recent history abundantly proves. That they will become *more* important as big business and foreign capital enter generally into the exploitation of the Caribbean field, is hardly open to doubt. What degree of supervision by stronger powers may be found necessary to protect both parties, and how such control shall be reconciled with the democratic ideals of self-government, are questions of no small consequence among those which will confront the statesmen of the stronger American republics, especially the statesmen of the United States.

# CHAPTER XIX

## HARBORS AND NAVAL BASES

THE announcement in 1913 of the intention of Great Britain to increase her naval equipment in the waters of the western Atlantic marks one of the important steps in the readjustment of international forces which is to come with the opening of the Panama Canal. To those who follow the development of the English naval policy, the move was not unexpected. Indeed, if British history had not already given many illustrations of the advisability of action similar to that declared for, the conditions confronting the empire with the opening of the Panama Canal could hardly have failed of themselves to force the decision.

Great Britain is not alone in the making of plans to fit the new order of things which will be established by the great trade route. Every important commercial and military nation must already have considered the possibilities which the Canal holds for the welfare of its nationals. For most foreign nations the commercial readjustments are far more important than the military. The questions which the new traffic will raise for them will concern tariff policies toward the countries with whom they will be brought into closer relations and whose trade will increase. They will seek favorable pilotage, lighterage and coaling arrangements

in the ports of call which will come into use, but, except for these conventional adjustments, the effect of the Canal on them will be commercial rather than political or military.

Those nations which have colonies in the region affected by the Canal, especially those which have colonies in the Caribbean, will have more important policies to decide. They must (1) readjust their national arrangements so as to contribute to the internal development of their colonies and (2) so as to make them profit by the transit of commerce past their shores. Where possible, commerce is to be attracted by making the harbors advantageous ports of call, coaling facilities are needed, provisions must be supplied and means for transshipment of goods to vessels plying to South American ports or to the islands of the West Indies must be furnished. Finally (3), the bearing of the opening of the Canal on the military and naval policy of the nation must be considered. These factors affect the nations with West Indian colonies in varying degrees.

To judge by colonial sentiment, practically every harbor from Port-of-Spain, in Trinidad, to Nassau, in the Bahamas, is to benefit markedly by the increase of its local trade and by its availability as a port of call. The home authorities are less enthusiastic. Their memories are longer. The annals of the people of the Caribbean in the past eighty years are not happy ones and the colonial offices are not so sanguine as the colonists. Still in each case the home country has taken steps to see that whatever advantages the colony may reap shall not be lost.

The colonial powers interested in the Caribbean include, besides the United States, two important commercial and military nations—France and England—and two who make no pretensions to prowess in arms—The Netherlands and Denmark. As the Panama Canal neared completion, all four nations made investigations to determine to what extent the harbors of their colonies needed improvement to assure the proper development of their resources and to facilitate their use as ports of call. All are anxious to find in the opening of the Panama Canal an event which will banish the hard times which have been the chronic lot of the Caribbean and bring back the prosperity of the early days of the "muscovado" sugar industry.

The Dutch Antilles have long been a burden on the home Government. To prepare for better times to come, The Netherlands Government in the spring of 1911 appointed a commission to investigate what improvements should be made to the harbor. An appropriation of $48,800 was made for dredging the inlet to the harbor of Schattegat near Willemstad, which, inside the bar, had 33 feet of water—a depth equal to that of the harbors of Rotterdam and Quebec.[1]

By the close of 1912 a Dutch company was already at work removing the obstructions to the harbor and a private company was building a dock 600 feet long with a depth of 30 feet alongside. The colony is so clearly off of the route of the trade to the Far East and the west coast of South America that the improve-

[1] *Daily Consular and Trade Reports*, May 28, 1912. Article on Construction Work Abroad. (See table at foot of page 310.)

ments will be of use almost exclusively for the transit trade to Venezuela and for the development of the meager resources of the island itself.

The French West Indies are in as bad a plight as the Dutch. The home country is tired of paying deficits and the revival of sugar plantations is making it less necessary. The subvention for the two sank from 1,458,000 francs in 1898 to 785,000 in 1908. But still their condition is not promising.

In March, 1912, a commission from France visited the islands to select one of their harbors for extensive

DEPTHS REPORTED BY THE COMMISSION APPOINTED TO DETERMINE DEPTH FOR PROPOSED HARBOR AT ROTTERDAM

| Harbor | Depth of Waterways | | Depth of Harbors | |
|---|---|---|---|---|
| | High Water | Low Water | Existing | In Construction |
| Rotterdam | 33 | 28 | 33 | 30 |
| Hamburg | 34 | 28 | 30 | 33 |
| Antwerp | 41 | 26 | 30 | 37 |
| | Depth of Fairway | | | |
| | High Water | Low Water | | |
| London: | | | | |
| London docks | 37 | 16 | 25 | 25 |
| West India docks | 41 | 20 | 29 | 31 |
| Royal Victoria | 51 | 30 | 26 | 28 |
| Royal Albert | 51 | 30 | 27 | 30 |
| Southampton | 45 | 32 | 35 | 40 |
| Liverpool | 54 | 37 | 35 | .. |
| | Maximum Depth of Harbors | | Harbors Building | |
| | Low Water | High Water | Low Water | High Water |
| New York | 35 | 40 | 40 | 46 |
| Philadelphia | 30 | .. | 35 | .. |
| Boston | 35 | 45 | .. | .. |
| Quebec | 33 | 48 | .. | .. |
| Montreal | 26 | .. | 30 | .. |

improvements. Its report was made in February, 1913, in the *Journal Officiel.* It was a disappointment to the colonists. An appropriation to improve the harbors for local trade was recommended, but both islands were declared so far from the ordinary routes of travel that they would benefit but slightly from the increase in traffic due to the Panama Canal. Other islands, the commission held, were more favorably located for use as coaling and supply stations. The French possessions must count on the development of their own resources rather than the direct advantages of the new trade. The merchants of Guadeloupe are not discouraged by the refusal of the home Government to take their ambitions seriously. They expect "a decided increase in the number of vessels" [1] from the opening of the Canal. Ships in the Panama trade are to be free from navigation and pilotage dues, and merchandise landed in transit will be exempt from payment of quay and statistical charges.

Denmark also has hopes for her colonies, St. Thomas, St. John and St. Croix. Their economic condition is not a happy one. Twice the kingdom has been near to selling the islands to the United States. Once a hurricane swept over them and turned public opinion in this country against the purchase. Once it was stopped by opposition in Denmark. Now the Danes think they can make the islands valuable as a port of call. St. Thomas has two great advantages—its central position to the east of Porto Rico, and its excellent harbor, which is easy to navigate even in rough weather.

In January, 1912, it was announced that plans were

[1] *Daily Consular and Trade Reports,* Mar. 21, 1913.

being perfected to "transform St. Thomas into a West Indian Singapore." [1] The East Asia Company, with Prince Valdemar as honorary President, was to deepen the harbor to 30 feet and build docks to accommodate vessels of at least 15,000 tons. In April, the Government granted part of the harbor to the company. But Danish public opinion was conservative. Only $1,250,000 of the $5,000,000 necessary to float the company was subscribed and the project was for the time dropped. Operations were soon undertaken again and early in 1914 it was reported that money had been spent "in dredging the harbor until now over the greater portion of it vessels of 30 foot draft may anchor in perfect safety." [2] The natural advantages of the harbor facilities of St. Thomas are not to be overlooked as is indicated by the various attempts of the United States to purchase the island. In addition, one of the shortest routes between the Canal and the British ports passes it.

English colonies also saw the advantages of being ready as ports of call for the new trade. In November, 1912, a strong agitation was reported in favor of deepening the harbor of Nassau to take ships drawing from 20 to 25 feet of water. Now almost all foreign trade is in vessels which cannot cross the bar but unload on lighters. In January, 1913, the support of the project was brought before the legislative authorities by the

[1] *Daily Consular and Trade Reports,* Jan. 11 and Feb. 23, 1912. See also *Diplomatic and Consular Reports,* British, 1912-13. (Cd. 6005–18.)

[2] *Daily Consular and Trade Reports,* March 11, 1914.

Governor. In the same month a commission appointed by the Government of Trinidad and Tobago recommended improvements in Port-of-Spain. They asked that 3,000 feet of quays be provided and the channel of the harbor be dredged to a depth of 27 feet leading to a basin of similar depth 700 yards wide.[1]

In Jamaica, the important strategical position of which was so often pointed out by Admiral Mahan, the colonial government has purchased a site abutting on Kingston Harbor in order that there may be facilities for coaling, docking and repairing ships plying the Panama route. A Canadian company is to undertake the improvements. The deepening of the harbor of St. Georges, Grenada, is under consideration and proposals have been made for the establishment of oil bunkering stations in Barbados and St. Lucia.[2]

In using their possessions in the Caribbean for military, as contrasted to commercial purposes, fewer nations are interested. The Netherlands and Denmark do not essay an important rôle in military affairs. France has no harbor in the West Indies which could well be made a naval base, and her American possessions are not important. Her close relations with Great Britain in the Triple Entente and her friendly attitude toward the United States make remote for her the possibilities of conflict in America. Further, her military problems elsewhere are engrossing. Evidently, from

[1] See *Daily Consular and Trade Reports*, Jan. 27, 1913, and *Parliamentary Debates*, Great Britain, Jan. 21, 1913, c. 221.

[2] See answer of Mr. Harcourt to an oral question in the House of Commons. *Parl. Deb.*, Great Britain, Jan. 21, 1913, c. 221.

the report of the commission which recently investigated the French Antilles and the Pacific establishments, there is no present intention on the part of the Republic to increase her military and naval forces in the Caribbean.

The only remaining European naval power with colonies in the Caribbean is England. Her position is in strong contrast to that of France, Denmark and Holland. She has extensive possessions in the West Indies. She is the greatest carrying nation in the world and the best route for many of her colonial markets lies through the Panama Canal. Evidently, her naval policy in the Caribbean is not one to be determined by local conditions alone, nor one to be settled on the grounds on which the decisions of the other European nations are based.

British naval policy in the Caribbean has of late years been largely determined by conditions and policies of recent origin. These have not counseled the maintaining of important forces in any American waters.

The Royal Navy formerly maintained a well equipped station at Halifax in Nova Scotia and there was once a plan to establish an important naval base at Esquimalt, British Columbia, overlooking the Strait of Juan de Fuca. Both these establishments are now little more than recruiting stations. A similar change in plans affected the forces in the West Indies. The Earl of Selborne, speaking in the House of Commons on March 22, 1904, summarized the reasons for the altered policy thus: "The whole naval strategic situation has undergone a complete revolution . . . that revolution is the

birth of the American Navy." [1] The changes in naval warfare and the shifting of sea power among the various nations have also influenced the distribution of the naval forces. Formerly, it was the policy to distribute the fleet in various parts of the world where its divisions could be made easily effective within the different areas in which they were stationed. Under this plan St. Lucia was made a great naval base. From it the British squadrons could command the West Indies and keep watch over the French naval station in those seas, not more than eighty miles distant. New conditions have made these plans inapplicable. France no longer maintains an important naval division in West Indian waters. Her political rivalry with England does not now dominate her politics and the character of modern communication and naval equipment makes it possible to send aid quickly from a centralized fleet to any quarter where it is needed.

The Right Honorable A. J. Balfour, the Prime Minister, declared in the Committee of Supply on May 11, 1904, "we have gone upon the broad line that, as the British fleet and as the British army should be available for the defense of the British Empire in all parts of the world our force should be, as far as possible, concentrated at the center of the Empire, from which it could be distributed as each necessity arose to that part of the Empire which stood most in need of it." [2] The growth of the German fleet and the new problems of defense which it created contributed additional reasons in sup-

[1] Quoted in Aspinall, A. E., *The British West Indies*, 1912, p. 396.

[2] *Ibid.*, p. 397.

port of this policy. In conformity with this plan, the white garrisons were ordered withdrawn from St. Lucia, Barbados and Jamaica in 1905.[1] Port Royal, Jamaica, was no longer maintained as a naval base. Both that port and the coaling depot at St. Lucia were "reduced to cadres on which the expenditure in time of peace is small but which in time of war can be at once developed according to necessity."[2]

The colonists received the new arrangement with no enthusiasm. The hurricane in Jamaica, which necessitated accepting aid from the American Navy, and the riots in St. Lucia, which the local police were unable to handle, were cited as evidences that the policy of the home Government in "deserting" the colonies was a mistake. They urged that the race question also would become acute as soon as the white ensign ceased to be a familiar sight in West Indian harbors.[3] The party of the opposition in the House of Commons added its protest to the criticism of the new policy.[4] But the British force in the region has not been increased.[5]

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[1] The Jamaica troops were not withdrawn. See *Parl. Deb.*, Mar. 22, 1911, c. 495, reply of Mr. Acland.

[2] Aspinall, A. E., *op. cit.*, p. 396. Quoting Right Hon. Alfred Littleton, Secretary of State for the Colonies in 1905. See also *Parl. Deb.*, Mar. 22, 1911, c. 495, for discussion of removal of forces from St. Lucia and Barbados.

[3] For discussion of this subject, see Mr. Bryce in *Parl. Deb.*, May 17, 1905, c. 709–710.

[4] See Sir Gilbert Parker, *Parl. Deb.*, July 15, 1907, c. 1337–8; Mr. Newman, *Parl. Deb.*, Mar. 22, 1911, c. 495, *et seq.*; Mr. Haddock, *Parl. Deb.*, Feb. 22, 1912, c. 876; Mr. Sherley Benn, *Parl. Deb.*, Mar. 20, 1912, c. 1933.

[5] *Parl. Deb.*, May 3, 1911, c. 413.

However, late discussions in Parliament show that this standard is not likely to remain satisfactory to the British public in view of the conditions created by the opening of the Panama Canal. On March 20, 1912, Mr. Sherley Benn, speaking in the House of Commons, called the attention of the Admiralty to the fact that formerly it was planned to build the Panama Canal by private capital "and neither Great Britain nor America were to erect any fortifications along the canal. Unfortunately, private enterprise failed, and it was found necessary that the American government should complete the Panama Canal, and naturally and justly America must protect it." He pointed out that ships from New York and Canada to New Zealand and Australia, and from Canada to the East would go through the Canal. "As a natural result, we must expect that the trade from America and from Canada to the countries lying in the east must increase very largely and as long as we are one of the great carrying countries of the world, we must expect that our ships will trade from Canadian and American ports to the east using the Panama Canal. . . . Not only shall we have to defend our ships, but we shall have to defend our colonies lying between Bermuda and British Guiana. Those ships . . . will be very liable to attack by European countries if we should be at war with them, and America happens to be a neutral country." [1] These statements indicate both the importance of the naval questions of the West Indies to Great Britain and the fact that the increase of British forces in the region cannot

[1] *Parl. Deb.*, Mar. 20, 1912, c. 1933.

be regarded as inconsistent with the interests of the United States.

Though the actual naval representation of the Empire is likely to remain relatively small in times of peace so long as the policy of concentrating the forces in home waters is followed, the British Government will not fail to see the importance of assuring itself a naval base in America commensurate with the maritime interests the Navy will be called upon to protect. The warships in the West Indies may remain few, but the necessity of being prepared to accommodate large naval forces will not be overlooked.

The location of the necessary naval base has for several years been a matter of consideration by the Admiralty. Heretofore, the ports of Jamaica and Trinidad have been spoken of with favor.[1] Compared to these, Bermuda has an obvious advantage of position. It is now the base from which both the British vessels detailed for service in the northeast fisheries and those engaged in West Indian duties operate. It could be made a center from which to guard both Caribbean and Canadian interests.

How little a naval establishment in Bermuda is to be considered inconsistent with American interests in the West Indies is evident from a survey of the ports which can be used as bases by the American warships. Among these would, of course, be counted the Gulf ports in the continental territory of the United States; but even leaving these out of consideration, the position

[1] See speech by the Right Hon. A. J. Balfour in Committee of Supply, May 11, 1904, quoted by A. E. Aspinall, *op. cit.*, p. 398.

of the United States in the Caribbean is one of such advantage both on account of the number of bases and the character of their harbors that no other country is likely to be in a position to dispute American control.

A glance at the map shows a long arc of islands stretching from Key West and Nassau to Port-of-Spain. All the chief ports capable of being used as naval bases, with the exception of those held by the larger European powers, are now either in the control of the United States or have been the subject of active negotiations looking toward their acquisition. Key West is already in our possession. Our arrangements with Cuba once gave us control of two ports, one toward the western, one near the eastern end of the island, to be used for naval purposes. Since our treaty with Cuba provides that she shall alienate no territory to a "foreign" Government the value of a base at the western end is slight, for Key West commands the center of the Straits of Florida and places us in almost as strong a position as we would occupy if possessed of an additional base there. Arrangements have been made by which the holdings at this point have been given up and larger areas have been acquired at Guantanamo—the base at the eastern end of the island. Construction work is practically completed. The base is equipped with fuel oil tanks and wharf, naval magazine, a radio station and other facilities to make it an effective naval station.[1] It gives the United States an unequaled position for the control of the Windward Passage separat-

[1] See *Annual Report of the Navy Department*, 1913, Washington, 1914, pp. 46, 121, 122, and *Ibid.*, 1914, pp. 128, 133–134.

ing Cuba from the Dominican Republic. East of the latter island lies Porto Rico, from which the United States can control the Mona Passage.

Various proposals made by recent Administrations will, if carried through, make our position even more secure. Between Cuba and Porto Rico lies the troubled island of San Domingo with its two republics, each of which contains a harbor reputed to be of great desirability as a naval base. Mole St. Nicholas, in Haiti, the port which disputes with the harbor of St. Thomas the title of "the Gibraltar of the West Indies" overlooks the Windward Passage from the east, holding thus the opposite side of the strait commanded by Guantanamo. President Benjamin Harrison, under the influence of Secretary of State Blaine, once sought to secure control of the place for the United States.[1] The advantage of its possession is obvious. During the negotiations for a fiscal protectorate in September, 1915, Secretary Lansing authorized the statement that we had not even asked for control of this point. It is understood, however, that the local government then in control had offered its possession and it is hardly to be supposed that the United States has no desire for the control of so commanding a position.

Toward the eastern end of the island in the Dominican Republic lies Samana Bay, also at one time the subject of active negotiations by our Government in President Grant's Administration.[2] It would enable

[1] Douglass, Frederick, Haiti and the United States, *North American Review*, Vol. 153, pp. 337–45 and 450–59 (1891).

[2] See Richardson, J. D., *Messages and Papers of the Presi-*

its possessor to command the Mona Passage from the west. Since 1905, we stand in the relation of protector to the Dominican Republic. Still farther east off the coast of Porto Rico in the Leeward Islands lies the harbor of St. Thomas, belonging to Denmark, twice already near to annexation by the United States. The recently concluded treaty with Nicaragua contains clauses giving us naval rights farther to the south and west in Great Corn and Little Corn Islands off the east coast, near Bluefields and Pearl Lagoon. A naval base on the Gulf of Fonseca is also included which, though the port lies on the Pacific, strengthens our position in the easily accessible Caribbean. Finally, of course, there are the great fortifications erected at the Panama Canal itself around which all other naval projects of the United States in the Caribbean center. Key West, Guantanamo, Porto Rico and Colon already furnish bases of operation not to be matched by any other power in this region, bases whose total strength it seems not unlikely may be increased by adding to the list some at least among Mole St. Nicholas, Samana Bay, St. Thomas and the positions of advantage in Central America.

In view of our present and prospective position in West Indian waters, there seems little cause for alarm in the establishment of a naval base in Bermuda, a thousand miles north of Ponce and Guantanamo and about six hundred miles east of Cape Hatteras.

The adjustments in naval forces induced by the Pan-

*dents,* Vol. VII, pp. 96 *et seq.* and 128 *et seq.*, and documents cited by Foster, J. W., *A Century of American Diplomacy,* Boston, 1900, p. 419.

ama Canal seem unlikely greatly to affect other than the Anglo-Saxon nations. Even those made by Great Britain are only incidental to the possession of far scattered colonies. For the United States alone is the opening of the Panama Canal an event of prime importance in the development of her naval policy in the American Mediterranean.

The effects of the new waterway on the economic and commercial interests of the Caribbean peoples are broader. For some it will mean prosperity because of the trade that comes to ports of call, for all it will bring an increased touch with the world's markets which may turn the colonies, so long dependent upon "subventions" and "grants-in-aid" from the home treasury, again into the position of self-supporting communities. The eighteenth century gave the West Indies an unexampled prosperity, the nineteenth brought them economic distress and revolution, perhaps the twentieth, through development of their resources and touch with world markets, may bring them the economic basis for a solid well-being.

# CHAPTER XX

## CONCESSIONS AND THE MONROE DOCTRINE

ANY wide view of American foreign policy cannot fail to take account of a fundamental modification of our attitude toward investments in the undeveloped countries of the New World. Until the past few years, the nationals of any country might make arrangements touching any subject they wished with the countries of Latin America. No diplomatic objection would be raised by the United States and the home country could be called upon to protect the incipient or vested rights of its subjects. If foreign money lenders sold bonds bearing usurious rates of interest, if through corrupt means they secured oppressive concessions, it was no concern of the United States. The Monroe Doctrine was considered purely a political announcement, one which demanded that the Governments of Europe should not take control of the territory of Latin-American republics, but which left the field of economic development open to free exploitation.

But of late years the attitude of the United States toward foreign investments in American countries has changed. The Monroe Doctrine has tended to become an economic policy as well as a political one. This, we in America have been either anxious to disguise or unwilling to recognize. It has been hard for us to real-

ize that investment of European capital in a country may involve its economic absorption to such a degree that the foreign investments and those influences which stand back of them are, in fact, the country's government. The creditors of a weak country, too, may be so insistent in their demands for payment that they will, to paraphrase a clause of the Monroe Doctrine, oppress the country and control its destiny. If back of the foreign creditor or concessionaire stands a government ready to insist upon the observance of his rights, the economic interest may ripen into a political one. Delayed development, bad management, and bad faith—any of these may bring a weak state into the power of a strong one whose citizens have invested heavily in industries subsidized by the government or public bonds or private exploitation enterprises.

The end of the Spanish-American War marked the first big step in the recent development of the economic side of the Monroe Doctrine. Cuba was to be given its freedom only under conditions which it was hoped would insure that it would remain free, conditions to which the Cubans themselves at first objected. Important among these clauses was the one which declared that Cuba should not contract a debt greater than her ability to pay, an engagement to that effect being inserted in a treaty with the United States. This was a provision of the famous Platt Amendment, one object of which was to make impossible the duplication, in Cuba, of the bad financial conditions with which every other independent Caribbean or Central American government is confronted.

The farsightedness of this policy soon had a demonstration. Certain European powers decided to force the Government of Venezuela to pay debts alleged to be due to their nationals, that is, they were about to take action which might transform economic claims into political ones.

The outcome of the Venezuelan blockade has already been discussed. The not altogether happy solution had, at least, the merit that, due to the stand taken by the United States Government, the economic claims against the republic had not been allowed to ripen into political rights.

From this time two phases of American foreign policy in relation to what may be called the economic side of the Monroe Doctrine developed. 1. In line with the protests made to the Department of State by the Argentine Minister of Foreign Affairs at the time of the Venezuelan troubles, the State Department sought the adoption of a general rule of international law which would regulate the conditions under which pecuniary claims might be collected, especially when those claims had the character of a public debt. The Rio Conference of 1906 was asked to consider the conditions under which, if at all, force could be used in the collection of such claims and the delegations from the American states championed before the Hague Conference in 1907 the rule to limit the freedom of action in the collection of public debts. The result was, the resolution passed with but few dissenting votes in 1907, stipulating that there shall be no collection of public debts by force unless the debtor first refuses an offer of arbitration or

makes it impossible to arrive at an arbitral award, or refuses to live up to the decision given by the arbitrator.

2. The second development is, for American states, even more fundamental. It aims to remove the cause rather than to prescribe the cure. The Hague agreement does not limit the opportunity for economic absorption of weaker by stronger countries, neither does it effectively prohibit the creation of the shady class of governmental obligations which have been the perennial curse of the Caribbean. Economic exploitation in the Caribbean and northern South America means something entirely different from that for which it stands in the United States and in southern South America. All of these regions have had to rely on foreign capital for the development of their resources, but in the United States especially the money borrowed was put into enterprises managed by natives. The companies which used the money were not, properly speaking, foreign exploiting companies, but rather American companies which borrowed foreign capital. The history of much of our railroad development illustrates this condition. The investment, too, was regularly with us non-political. The rights of the concessionaires might come from the Government, but the capitalists seldom developed an important degree of control over the Government. In southern South America, the companies backed by foreign capital were often foreign in management, but they operated among people who were developing ability to create governments of real power, which would be able to guarantee peace and the protection of property. The local governments, that is,

were not in danger of becoming merely agents of foreign bondholders and concessionaires.

Now none of these conditions existed in the Caribbean or northern South America. The countries were undeveloped, the investments had to be made among people not able to carry out the economic projects involved and unable to command the confidence of foreign capitalists. The result was, the concessions in this region were granted to companies not only foreign in capital, but in management, and the concessionaire often took advantage of the weakness of the people with whom he dealt. Concessions were and are in this region frequently political as well as economic; in fact, they are often political rather than economic. In countries such as these where active capital for public enterprises is drawn largely from abroad, the foreign bondholder who absorbs the economic opportunities of the country exercises also great political control.

To cite the most signal example of this sort of foreign absorption is to cite the experience of Mexico, northwest of the Caribbean region, in which foreign investment has reached an unprecedented figure. The estimates compiled for the State Department show that Americans in that country own $1,057,770,000 of the $2,434,241,422 total national wealth. English citizens own $321,302,800, French citizens $143,446,000, while Mexican citizens own but $793,187,242 and all other nationalities $118,535,380.[1] In other words, of the entire wealth of the Republic of Mexico less than 30 per cent. is in the hands of Mexicans.

[1] *Daily Consular and Trade Reports*, July 18, 1912.

In this particular instance, the chief foreign capital interest is American. That it exercises a wide political influence in the Republic is undeniable. If in some country of the Caribbean similar economic conditions should arise, the invested capital being owned by some foreign country's nationals, the situation could hardly fail to cause the United States concern.

The possibility of such developments, indeed the possibility that any large foreign investment in public enterprises may become political in character, has led the United States in recent years to attempt to put itself in a position where it can control the total amount of the obligation which the weaker countries can be allowed to undertake. The concession or loan which has a political character and which may bring international complications, it has been felt, must be eliminated. This will be for the benefit of the foreign bondholders in that they will know that they are not running risks of such speculative nature as has formerly been the case. It will be to the benefit of the smaller states in that they will be protected against their own improvidence. It will be to the benefit of the United States in that, the political character of the investments being removed, the temptation of the European powers to call into question the Monroe Doctrine will be lessened.

Though this is not the avowed policy of either political party and probably the leaders of both would disclaim any intention to make the Monroe Doctrine other than a political one, the actual practice of both the Republican and Democratic Administrations shows that the State Department, no matter under whose

control, does not on this point follow a wavering policy. The attempt to protect the Cuban people against itself in the contracting of unwise debts has already been mentioned, but the beginning made there only pointed the way to a number of other agreements of a similar, but even more comprehensive, sort.

The Republican Administration of President Roosevelt saw the institution of a protectorate over the new Republic of Panama, and the Dominican Republic, with engagements concerning their finances. The Republican Administration of President Taft followed practically the same policy as was shown especially in the proposed treaties with Nicaragua and Honduras, which would have created conditions very similar to those in the Dominican Republic.

The policy of the Wilson Administration on this point is essentially the same. We now have new treaties with Nicaragua and Haiti, which involve us in the finances of these countries. The maintenance of a force of American marines at Managua, under the Wilson Administration, illustrates in another way the protection of economic interests in order that political questions may not arise.

President Wilson, in his famous speech at Mobile, summarized the policy we are following. He declared:

"You hear of 'concessions' to foreign capitalists in Latin America. You do not hear of concessions to foreign capitalists in the United States. . . . They are invited to make investments. . . . It is an invitation, not a privilege; and States that are obliged, because their territory does not lie within the main field of mod-

ern enterprise and action, to grant concessions are in this condition, that foreign interests are apt to dominate their domestic affairs: a condition of affairs always dangerous and apt to become intolerable. What these States are going to see, therefore, is an emancipation from the subordination, which has been inevitable, to foreign enterprise. . . . They have had harder bargains driven with them in the matter of loans than any other peoples in the world. . . . I rejoice in nothing so much as in the prospect that they will now be emancipated from these conditions, and we ought to be the first to take part in assisting in that emancipation. . . .

"I want to take this occasion to say that the United States will never again seek one additional foot of territory by conquest. . . . She must regard it as one of the duties of friendship to see that from no quarter are material interests made superior to human liberty and national opportunity. I say this, not with a single thought that anyone will gainsay it, but merely to fix in our consciousness what our real relationship with the rest of America is."

The fact of the matter is that the diplomacy of the Caribbean and northern South America has always been very largely a diplomacy of claims. To call it "dollar diplomacy" gives it a bad ring, but does not change its character, and to consider that men with money to lend will do it without prospect of a return proportionate to the risk is presuming something contrary to human nature. The important point in the mind of the capitalist is to know that he will get a return of principal and interest. The important point for the Caribbean

country to which he lends is to be assured that the capitalist will not demand more. If the United States can, by interposing its good offices and supervision, increase the safety of the investment which the banker makes and at the same time protect the weaker country from exploitation it will in the long run confer a favor on both the other parties. It will widen the field for profitable conservative investment of capital, American and foreign, it will open up the money market to the Latin-American states so that industries and resources which now lie undeveloped will be exploited. Diplomacy in Central America, the Caribbean and northern South America will be largely a matter of dollars whether we wish it or not and the only question for us is whether we will so shape our policy that concessions will be economic rather than political. Concessions *will be* economic only to the extent that the countries granting them are able to insure, of their own volition or by their own volition plus the good will of some other power, that public order will be maintained, property protected and public debts limited to the probable ability to pay.

The feeling in the United States against non-American investments, which may come to have a political character, is not one which is confined to the Executive Department. It is evidenced both in the action of our Congressional bodies and in the attitude of public opinion. This is well illustrated by what has come to be known as the Magdalena Bay incident.

An American company had secured from Mexico a tract of several million acres surrounding Magdalena Bay in Lower California. The land was almost value-

less except for limited possibilities for lumbering. The bay and adjacent waters contained moss producing a certain dye and the fishing rights were supposed to be valuable. The company failed and its creditors tried, in 1911, to sell out its rights to certain Japanese. Before the bargain was completed the approval of the State Department at Washington was sought. Though it was shown that there was no evidence whatsoever that either the Mexican or Japanese Government was directly or indirectly connected with the proposed purchase, the opinion of the State Department, announced by Mr. Knox, was averse to the sale on the ground "that such a transfer would be quite certain to be interpreted in a manner to cause a great outcry." [1] Another proposition by which Japanese would hold 35 per cent. of the stock with an option on an additional 15 per cent., the rest of the stock and the management to be American, met with no more favorable reception.[2]

The position of the Administration was further supported by the Senate in July by the introduction and later passage, by a large majority, of the now famous Lodge Resolution, which read:

"Resolved: That when any harbor or other place in the American continent is so situated that the occupation thereof for naval or military purposes might threaten the communications or safety of the United States, the Government of the United States could not

[1] P. C. Knox to F. H. Allen, Aug. 17, 1911, Senate Doc. 694, 62nd Cong., 2nd Sess., *Senate Documents*, Vol 38.

[2] P. C. Knox to W. H. Taft, April 27, 1912, Senate Doc. 640, 62nd Cong., 2nd Sess., *Senate Documents*, Vol. 38.

see without grave concern the possession of such harbor or other place by any corporation or association which has such a relation to another government as to give that government practical power of control for national purposes." [1]

Of course, as applied to the Magdalena Bay case, the resolution was apparently beside the point, for there was no information tending to prove that any such relation as was spoken of existed or was intended between the Japanese Government and those who sought to buy the concession. But the resolution was important as a declaration of opinion by the Senate. It shows a growing feeling that the economic exploitation of American countries may have a close connection with their political interests.

What the formal relation of any concessionaire may be to its home Government is not so important as its *de facto* relation. If the attitude shown in the Magdalena Bay incident is an expression of American policy, then we must in fact view with serious concern any attempt by the nationals of a power not American to control directly or indirectly, at least, any harbor or economic resource closely connected with military and naval supremacy in this continent.

In President Wilson's Administration there occurred another illustration of the prejudice against concessions of an economic-political character. This time the question was raised on the other side of the continent. It involved the projects for extension of the holdings of S. Pearson & Son, Limited, already discussed. This

[1] Quoted in *Amer. Jour. of Int. Law,* Vol. VI, p. 938.

company had extensive interests in Mexico. The extension of its holdings in another country, Colombia, in view of the fact that modern navies are coming to be oil-burning, not coal-burning, and in view of the proximity of the Panama Canal, could not but be considered by the United States as an unfortunate, if not an unfriendly, act. There was an unmistakable protest in American public opinion against the extension of such economic-political concessions to a company closely connected with the British Government. The possibility of having along the Caribbean coast a number of such *de facto* naval bases in the practical possession of rival maritime powers was decidedly unpleasant.

We may still protest that the German criticism that the Monroe Doctrine is an economic doctrine is unfair. It is unfair because it is not an instrument of conscious aggression against Latin America as has so often been charged. It is not a policy advocated by us in order that we may create for ourselves an exclusive trade empire or guarantee expansion of our political control. But there is a way in which the Monroe Doctrine *is* an economic doctrine. It is a doctrine which must take into account the economic factors which may come to influence a country's development. We cannot look upon any economic development in European hands in Latin America which would have political results affecting unfavorably the independence of the American Republics except as a development unfriendly to us. It matters not whether this development is one which, by absorbing the economic resources of the country, would make its possession by foreigners in all but name

a fact, or whether the exploitation affects but a single commodity of political importance. It is all one. To obtain an economic concession which by its political results, to paraphrase the original Monroe Doctrine again, would operate against American countries so as to "oppress them and control their destinies," is an act unfriendly to the United States.

# CHAPTER XXI

## INTERNATIONAL LEADERSHIP IN THE CARIBBEAN

THE political developments in American international affairs in recent years have brought a great increase in the importance of the Caribbean to the United States. From the purchase of Louisiana to the end of the nineteenth century the Caribbean, like all other portions of the world, played only an unimportant part among our national interests. We had a long-drawn-out disagreement with Great Britain as to the proper commercial policy in the West Indies; the early struggles of the Spanish colonies to gain their independence drew our sympathy; and during the Civil War the operations of the Navy took our attention southward, but taken as a whole, except for a gradually increasing commercial connection, we held toward Caribbean affairs the position of onlookers without that feeling of concern born of solidarity of interest.

The developments following the Spanish-American War have brought a revolution in our national position. The rapid expansion of foreign trade has made us aware that we are no longer untouched by the changes in international relations. Step by step the political interests left us by the treaty of peace have broadened to include a larger number of the Latin communities. The Platt Amendment, followed by the reciprocity treaty, expanded our responsibilities and

rights in Cuba, the Venezuelan debt-collecting incidents indicated another new phase of American foreign policy, the Panama revolution and the resulting activity in building the canal brought strained relations with one of the republics on the mainland, made us the protector of another and greatly broadened our commercial outlook and military responsibilities. The fiscal protectorate over the Dominican Republic gave us another sort of responsibility toward a weak neighboring republic. Still later the negotiations of the Taft and Wilson Administrations with Central American republic and Haiti have shown that our Government, irrespective of party, has no disposition to abandon the policy of assuming added political responsibilities in the international affairs of our southern neighbors. This succession of events, peaceful but far reaching in influence, has greatly changed our outlook on American affairs. The negative or passive policy which we formerly followed, one which involved intervention only after a wrong was done, is giving way to a positive policy preventive rather than remedial. We are assuming responsibilities of complex character intended to stabilize the conditions of Caribbean life, to foster the development of local resources and industries, to promote foreign trade, and to avoid the possibility of incidents which might induce interference by non-American powers.

The logic of events forces us into a place of increasing importance. The more intensive exploitation of natural resources characteristic of the commercial development of the world, brings with it the demand of foreign investors for protection of their property, a

condition which will necessitate an increasing supervision of unstable governments in order to insure that the Monroe Doctrine be not questioned. Our possession of the Panama Canal also will draw with it greater responsibility because it will bring the trade of the world, passing through the waterway, into closer touch with Caribbean affairs.

Partly as cause of these developments, partly as their result, our trade interests in the Caribbean have expanded and will continue to expand. Our markets are the natural outlet for Caribbean products; we already take much more from that region than does the rest of the world, and lying close to our shores, it is a natural field for the expansion of our export trade. It is a natural field in which we will seek raw materials. The degree to which already the trade of the United States dominates this region is shown in the following table:

COMMERCIAL EXCHANGES OF THE UNITED STATES AND CARIBBEAN COUNTRIES [1]
(Compiled from *Statistical Abstract of the United States, 1914*, Washington, 1915, p. 688)

| Country | Year | Total Imports | Imports from the U. S. | Per Cent from the U. S. | Total Exports | Exports to the U. S. | Per Cent. to the U. S. |
|---|---|---|---|---|---|---|---|
| Costa Rica | 1913 | 8,685,000 | 4,468,000 | 51 4 | 10,322,000 | 5,241,000 | 50 8 |
| Guatemala | 1913 | 10,062,000 | 5,053,000 | 50 2 | 14,450,000 | 3,923,000 | 27.1 |
| Honduras | 1913 | 5,133,000 | 3,464,000 | 67 5 | 5,300,000 | 2,869,000 | 86 9 |
| Nicaragua | 1913 | 5,768,000 | 3,244,000 | 56 2 | 7,712,000 | 2,722,000 | 35.3 |
| Panama | 1912 | 9,872,000 | 5,413,000 | 54 8 | 2,065,000 | 1,780,000 | 86 2 |
| Salvador | 1913 | 6,167,000 | 2,490,000 | 40 4 | 7,666,000 | 1,310,000 | 17.1 |
| Colombia | 1913 | 26,937,000 | 7,630,000 | 28 3 | 34,316,000 | 18,862,000 | 55 0 |
| Cuba | 1914 | 133,975,000 | 71,380,000 | 53 3 | 170,776,000 | 136,936,000 | 80 2 |
| Haiti | 1913 | 10,935,000 | 6,499,000 | 59 4 | 17,273,000 | 842,000 | 4 9 |
| Dutch Colonies | 1912 | 4,576,000 | 1,826,000 | 39 9 | 3,636,000 | 1,646,000 | 45 3 |
| The Dominican Republic | 1913 | 9,272,000 | 5,769,000 | 62.2 | 10,470,000 | 5,601,000 | 53.5 |
| Venezuela | 1914 | 17,005,000 | 6,158,000 | 36 2 | 26,324,000 | 10,540,000 | 40 0 |
| British West Indies [2] | 1911 | 57,535,000 | 20,317,000 | 35 2 | 51,604,000 | 19,868,000 | 38.1 |
| Total | | 300,041,000 | 143,711,000 | | 359,914,000 | 212,140,000 | |

[1] This table does not include the colonies of France and Denmark.
[2] Compiled from *Statistical Tables Relating to British Self-Governing Dominions, Crown Colonies, Possessions and Protectorates*, Part XXXVI, 1911 [Cd. 7024], 1913.

The new conditions, commercial and political, which now confront us bring a new phase of the Monroe Doctrine and a new phase of imperialism. We act for the betterment of Caribbean conditions in order that European powers may not feel called upon to act, and we thus prevent interference in American affairs by rendering it unnecessary. At the same time, the supervision which we undertake has as its object the helping of the weaker peoples to help themselves. In contrast to annexation, destroying the local sovereignty, our policy has been to assume the minimum of control necessary to assure public order and the observance of sound financial policy, leaving the people to manage their own governments and acquire by experience the ability to rule themselves.

This policy has led us to assume certain obligations by treaty arrangements, and others rest on no formal written documents but are being carried out by coöperation of the Executive Department of our Government and the authorities of the governments affected. In still other cases no supervision of a definite character is established as yet. The actual incidents which may call for action by the United States may arise, therefore, under a variety of conditions. We may intervene under formal treaty provisions, as was the case in the second intervention in Cuba; the naval and military forces may be used for upholding the Government against a revolution as in Nicaragua in 1912, or the Executive may exercise pressure by sending officers to "observe the elections" as in a recent election in the Dominican Republic. We may, at the request of both parties, supervise the elections, as has occurred in Panama, or the

Executive may merely acknowledge its cognizance of the existence of certain arrangements by private parties, as in the later developments in Nicaragua. Of course, where none of these means is used it is still possible for the Government to act, after the wrong has been done, to prevent any action violative of the Monroe Doctrine.

Where reliance must be on remedial action after the event delicate situations may arise. The property interests affected may touch subjects of European countries as well as our own citizens and the state in which the wrong is said to have occurred may resent any intervention by the United States. Situations of this sort put us in an unwelcome position. If we take the ground that all states are equal in international law and that we must respect the local sovereignty, we have no right to intervene. We must then rely upon our ability to lay down the limitations which we believe should be observed in the punitive measures inflicted by the European government. If, on the other hand, we intervene to right the wrong ourselves, we offend the local government. To refuse to take measures of redress and deny the right to do so to others would be an indefensible position.

The disposition to act under an assumed police power which has seemed to be evidenced by the United States in handling Caribbean affairs has not passed without criticism, especially in Latin America. It has been assumed by some that our Government aims at arbitrary dictation of American foreign policy in general, involving ultimate annexation of at least a number of our neighbors and the brusque disregard of the feelings

of the rest. To others our action has meant only the assumption of that control taken by any great power situated among a group of lesser ones.

To prove that in population and material wealth the United States is not only the first, but the dominant power in America, is not difficult. The radical argument in favor of extension of our authority on these grounds may be thus summarized:

1. The United States alone represents a majority of the people of America. To allow a minority to control policy, even if that minority included all the other peoples of the New World, would not be to take the consensus of American opinion as to what should be American policy. This would, of course, be true in a much greater degree if the policy opposed to that advocated by this country were supported only by a small state or small group of states. The populations of the chief units in America are reported as follows:

POPULATION OF PRINCIPAL AMERICAN COUNTRIES[1]

(Population in 1913 or latest available date)

| Country | Population | Country | Population |
|---|---|---|---|
| Argentina | 8,700,000 | Cuba | 2,474,000 |
| Bolivia | 2,268,000 | Ecuador | 1,500,000 |
| Brazil | 24,308,000 | Haiti | 2,500,000 |
| Canada | 7,758,000 | Mexico | 15,000,000 |
| Central America: | | Paraguay | 800,000 |
| Costa Rica | 411,000 | The Dominican Republic | 725,000 |
| Guatemala | 2,119,000 | United States (including Hawaii, Porto Rico and Alaska) | 100,102,000 |
| Honduras | 589,000 | | |
| Nicaragua | 690,000 | | |
| Panama | 387,000 | Uruguay | 1,226,000 |
| Salvador | 1,210,000 | Venezuela | 2,756,000 |
| Chile | 3,464,000 | | |
| Colombia | 5,473,000 | Total | 163,460,000 |

[1] Compiled from *Statistical Abstract of the United States, 1914*, Washington, 1915. This table does not include the European colonies of the Caribbean region.

Our Government thus represents America in that its population comprises the majority of the people of America. Of course, if a classification were possible which could show the relative position of the different units, taking into consideration the average education, standard of life, industrial development and similar elements, the preponderance of the United States would appear in a manner much more decided.

2. The United States should speak for America, it is further asserted, because its population represents the majority of people of the white race in the New World. The white race everywhere, it is argued, has shown the greatest aptitude for political development. South America is still predominantly of aboriginal and mixed stock. Reliable statistics are unobtainable. Peru, Ecuador and Bolivia are variously estimated as from fifty to seventy per cent. Indian. The first two are cited as having six per cent. white population by F. Garcia Calderon in his work on *Latin America: Its Rise and Progress.* Mestizos form the bulk of the population in Colombia, Chile, Uruguay and Paraguay. They form about ninety per cent. of the population of Venezuela and about fifty per cent. of the population of the entire continent. The total population of Latin America is estimated by different authorities at from 60,000,000 to 79,863,336, with a white population of from 10,000,000 to "over 12,000,000." [1]

About four out of every five white persons in the New World, therefore, live in the United States. To

[1] For these estimates, see Bigelow, John, *American Policy,* New York, 1914, p. 6, *et seq.,* with authorities there cited.

give to Latin Americans, who, with the exception of the inhabitants of the southernmost group of states, are of unstable political habits, equal voice with the United States with a population in 1910 of 91,972,266 white persons or 88.9 per cent. of the total population of the country, would be to place the destinies of the continent in the hands of the irresponsible and inexperienced. Under such circumstances the United States must exercise a dominant interest in American politics.

3. In a commercial way also the preponderance of

FOREIGN TRADE OF AMERICAN COUNTRIES COMPARED[1]

| Country | Year | Imports | Exports |
|---|---|---|---|
| Argentina | 1913 | $406,805,000 | $466,582,000 |
| Bolivia | 1913 | 21,358,000 | 36,551,000 |
| Brazil | 1913 | 326,865,000 | 315,586,000 |
| Central America | 1913 | 45,687,000 | 45,515,000 |
| Chile | 1913 | 120,274,000 | 144,653,000 |
| Colombia | 1913 | 26,987,000 | 34,316,000 |
| Cuba | 1914 | 133,975,000 | 170,776,000 |
| Ecuador | 1912 | 10,653,000 | 13,718,000 |
| Haiti | 1913 | 10,935,000 | 17,273,000 |
| Mexico | 1913 | 93,020,000 | 129,971,000 |
| Dutch colonies | 1912 | 4,576,000 | 3,636,000 |
| Paraguay | 1913 | 8,120,000 | 5,631,000 |
| Peru | 1913 | 29,631,000 | 44,469,000 |
| The Dominican Republic | 1913 | 9,272,000 | 10,470,000 |
| Uruguay | 1913 | 50,666,000 | 65,142,000 |
| Venezuela | 1914 | 17,005,000 | 26,324,000 |
| British West Indies[2] | 1911 | 57,535,000 | 51,604,000 |
| Total | | $1,373,364,000 | $1,582,217,000 |
| Canada | 1914 | 633,692,000 | 431,590,000 |
| Total America (except United States) | | $2,007,056,000 | $2,013,807,000 |
| United States (including Alaska, Hawaii, and Porto Rico) | 1914 | 1,893,926,000 | 2,329,684,000 |

[1] Compiled from the *Statistical Abstract of the United States, 1914*, Washington, 1915, p. 688.

[2] Compiled from *Statistical Tables Relating to British Self-Governing Dominions, Crown Colonies, Possessions and Protectorates*, Part XXXVI., 1911 [Cd. 7024], 1916.

the United States is striking. No comparison can be made of the amount of internal commerce in the various countries. The export and import trade can be compared. Though the countries other than the United States have the advantage in this comparison in that they represent non-manufacturing areas and, therefore, are dependent to a greater degree than we are upon foreign products, still the total foreign trade of the United States far outranks that of the other units.

In other words, the total foreign commerce of Latin America and the British and Dutch West Indies was $2,955,581,000, that of the United States $4,223,610,000. Even if the commerce of Canada be grouped with that of the Latin American countries it is evident that the interest of the United States in New-World foreign commerce is one of commanding importance.

Other bases of comparison would yield similar results. None of such figures, all but extremists would agree, proves the existence of an abstract right for the dominant group to speak for the whole, but they do show the contrast of human interests represented, the contrasts in political experience and ability, the contrast in the size of the stakes which the different regions have in international commerce. These are influences which, though not recognized in the rules of international law, always have, *de facto,* an important effect in the conduct of international affairs. It is not to be expected that the United States, as the chief party involved, will not see to it that the policies adopted are such as meet her approval.

Among those opposed to the assertion of independent

leadership by the United States in the international affairs of the New World are those who, in recent years, have advocated a modification of the Monroe Doctrine which would bring to its active support other states of America. So long as it is a national doctrine, it is argued, the other states must look upon it as a policy which denies them a voice in settling American affairs.[1] The "colossus of the north" may interpret the doctrine as it pleases and violate the rights of other states at will. The arguments of superiority of population and commercial strength carried to their logical end would result in absurdity, for they would mean that the country thus endowed had at least a moral, if not a legal, right to take any measures it desires against "weaker" or less advanced states. Such a dominance of American affairs by any one country would be intolerable. Coöperation between the units involved, on the other hand, brings no such disadvantages. Should at least all the stable states of America unite to settle the disputes which arise, their decision would have greater prestige, and the ill feeling which might still exist when the stronger group acted as the *de facto* representative of all America would not, as at present, run parallel to race lines.[2]

A plan for general coöperation of the stronger independent states of America for the settlement of Ameri-

[1] A criticism of this point of view is contained in Taft, W. H., *The United States and Peace*, New York, 1914, pp. 1–40.

[2] See for an elaboration of some phases of this argument, Shuster, W. M., Acquisitive Statesmanship, *Annals of the American Academy of Political and Social Science*, *55*, pp. 245-252 (1915).

can affairs is not without its appeal. In the minds of its advocates the adoption of the proposal would bring a broader American basis for the Monroe Doctrine. It would be an extension of the big-brother policy, the policy of the strong protecting the weak. When the situations which are apt to arise are analyzed in detail the plan is not so attractive. There are doubtless large general policies in which such working together is possible and an advantage to all concerned. In many disputes between American powers and in amicable adjustment of some internal affairs in the states, common action by the disinterested neighbor states may accomplish beneficent results. But, in cases involving a concrete clash of interests in which diplomacy fails to bring an adjustment and recourse must be had to the use of force, a general council is less apt to succeed. The case would demand not merely a general offer of good offices and diplomatic exchange of views, but a definite assumption of responsibilities by the powers. In such cases it would be difficult to find a basis of coöperation. Questions such as these would arise:

1. What states shall be taken into the group which is to guide American policy? The plan for coöperation which has been generally suggested includes the United States and three South American powers, Argentina, Brazil and Chile. But the pretensions of such an alliance or entente would be unlikely to receive the assent of the other Latin nations. Uruguay, Costa Rica and Salvador, at least, might feel slighted at being grouped with the powers not asked to participate. Even the less stable governments could hardly be expected to wel-

come a grouping which implied their inferiority. It does not remove the *de facto* recognition of the inequality of states to create by a formal act a group of four states, who are to be considered the primary powers to take the place of one which informally stands in a position of leadership. The Latin-American states not included would resent interference by "superior" Latin-American states quite as much as by the United States alone.

2. Assuming that the four powers mentioned were disposed to exercise an international police power in American affairs, what would be the basis of organization? Would there be an attempt to give each an equal voice in the negotiations? That would hardly be possible. In an alliance between Great Britain and Portugal, it is inconceivable that the former would give the latter equal influence in determining their joint foreign policy. Yet the inequality among the members of the proposed alliance would not be less marked. Strong though the stabler South American states are coming to be, it is nevertheless to be remembered that Argentina has a population only slightly larger than Pennsylvania and that Massachusetts has more people than Chile. Brazil has a population of 24,308,000, but her effective force is, at most, not greater than that of Argentina.

On the other hand, a formal recognition by the South American countries of unequal power in the policing agreement is not to be expected. Any thoroughgoing acceptance of that principle would leave them in the position of satellites and make the influence of the

United States still controlling in all cases. The basis of organization would be unstable, and likely to cause misunderstandings whether it attempted to give equal or unequal powers to the parties.

3. Would there be equality of interest among the parties to the entente in the specific problems which would be presented to them for solution? The cases in which there would be an affirmative answer are few. The South American members would not feel that the United States had an interest equal to theirs in a dispute, for example, between Chile and Peru, or one in which foreign property interests within their borders were involved. The question might involve their "vital interests," while for us it might be of but little moment. They might feel that they should be allowed to settle the matter for themselves, or on the best terms they could secure from the states immediately concerned. Anything which tended to obscure their right to do so might hinder the possibility of a permanent satisfactory settlement rather than promote it. Similarly, in a question lying close to our own borders, the United States, the stabilizing influence in North America, might find in a question arising in the West Indies or in Central America, a problem affecting its vital interests. Anything which hampered its decision would only delay a solution and tend to turn affairs from their natural course. The Caribbean lies close to our doors, it is primarily our problem, not theirs. The questions which arise there are United States problems more than American problems. No nation or group of nations has interests there comparable to those of our Government.

We are not to forget, of course, that there are instances of settlements brought about by friendly intervention of the United States for the settling of South American disputes and somewhat less marked accomplishments through South American mediation in North American international affairs—notably in the relations between the United States and Mexico—but these are examples of the sort of thing which may be accomplished when the interest is of minor character or where at least one of the parties is anxious to avoid unpleasant complications. Real clashes of interest which necessitate for their settlement either the use of force or the threat to use it would not be so apt to command the hearty coöperation of the "allied" powers.

Is it not better for both the strong South American states and for us frankly to admit that there are certain international affairs which lie so close to the development of each division that participation of distant powers in their settlement would be unacceptable? Then for the consideration of larger interests truly American, conferences might be held as occasion demanded, while each group kept a free hand in matters which concerned it primarily.

4. Is not the grouping together of all American problems after all a formal rather than a real classification? Why should the United States feel itself concerned in such disputes as the Tacna-Arica controversy and how is Chile directly affected by the disputes for control between the leaders of Mexico or Haiti?

There are, in fact, in America two groups of interests, not one. The stable South American states have

their primary interests and we have ours. They should keep their freedom of action in the problems that lie nearest them, profiting on occasion by our good offices and friendship. We should hold a similar position as to the affairs which touch us directly. Harmony is not created by artificial bonds which would often run counter to geographical, economic and political interests.

Our interventions under the Monroe Doctrine for the protection of our interests in international affairs have been typically Caribbean incidents. Those are *our* interests. To induce the southern South American states to work with us in this field would be to secure their coöperation in matters in which they are only distantly concerned and ones in which we might find our desires diametrically opposed to their preferences. We have as little real interest in certain of their international problems as they have in most of ours. In many cases, in fact, we in the United States are farther from the international problems of South America than we are from the politics of Europe or even Asia. Buenos Aires is twice as far from New Orleans as Liverpool is from New York. San Francisco is six hundred miles nearer Yokohama than it is to Valparaiso. Again, some of the stabler South American states are as strongly contrasted with certain other Latin-American states as we are. Haiti and Argentina are both "Latin countries"; that is almost the only characteristic they have in common. The relations of such countries are of little real concern to either. We are non-Latin, but international affairs which touch Haiti or Mexico or Central America will often bear some relation to our own foreign policy.

far as we are from sharing with them a common racial or lingual inheritance.

In America, as in all the world, strong nations will lead the weak. The better governed of South American states will play the active part in her foreign affairs. The same thing is true in the northern portion of the New World. The United States there will inevitably hold a position of primacy. We must see to it in our neighborhood as they must in theirs that the policies we adopt deserve the approbation of right-thinking men, but we should be wise enough to keep liberty of action in the sphere naturally our own. They should be equally free. In our Caribbean policy we should act in a manner deserving the approval of the stronger South American states, but we cannot allow our policy to be determined by them. The vital interests of the United States are intimately interwoven with the problems of the Caribbean—theirs are not. We cannot yield to anyone the shaping of our policy in that region, for no one has a stake there comparable to ours.

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